the Freeman

Ideas on Liberty

APRIL 1979

START AT THE BEGINNING

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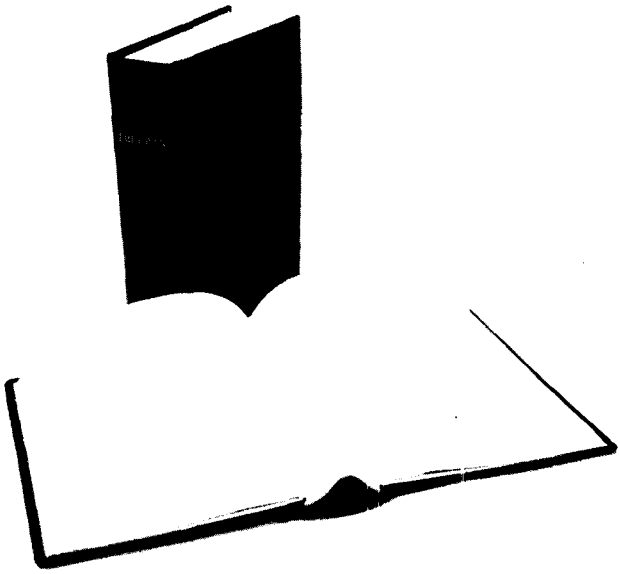

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Robert LeFevre

START AT THE BEGINNING

WERE I called upon today to teach a course in basic economics, I would begin at the beginning. It is my observation that this procedure is rarely followed these days.

It has been my lot for a number of years to deal with management trainees for several companies, including one large corporation. Most of these trainees have come from some of our finest colleges and universities. Perhaps as many as twenty per cent have studied advanced economics, and a few hold degrees in the discipline. Probably as many as fifty per cent have received advanced degrees in one or another field. These young men and women are far above average. All are talented, a few gifted, and here and there an undoubted genius.

I work with eight hundred to a thousand people of this caliber every year. Perhaps one in a thousand can relate the myriad bits of data learned in school to the realities of human existence in this world.

Most arrive for my seminars with two economic assumptions of direful foreboding: (1) The large corporations represent a constant danger and must be controlled by the government; (2) Without antitrust laws, the Environmental Protection

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Mr. LeFevre founded and for years presided over the Freedom School in Colorado and has lectured and written extensively in behalf of freedom and the market. His latest book, just off the press, *Raising Children for Fun and Profit*, is comprised of the Freedom School home study course of the same name. The book is available at $10.00, from P. K. Slocum, 7333 Corey Street, Downey, California 90242.

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Agency and other bureaucratic interventions, private businessmen, large and small, would walk roughshod over the entire population of this country. The reason? Free enterprise leads inevitably to monopoly.

These seminar attendees did not invent these anxieties. They learned them at the feet of their professors, many of them professors in economics.

It Is Futile to Argue

I have learned from experience that any attempt to dispute these conclusions by direct debate is largely futile. As the early rhymesters had it, "a man convinced against his will, is of the same opinion, still."

However, if I can go to the beginning to point out the realities undergirding all economic theory, then I have a chance of showing that an entirely different set of conclusions is warranted.

What then are these realities which should be seen at the beginning?

Or, even before that question is asked, what is the purpose of the study of economics?

Most of us are acquainted, perhaps by the process of a kind of social-intellectual osmosis, with the classical definition: economics is the study of the production, distribution and consumption of scarce resources. (**Note:** Currently the last two words are frequently replaced by the words "goods and services" and the concept of scarcity is omitted.)

While that definition is adequate, it lacks impact and immediacy. I would like to add to it a statement I must credit to Clark and Rimanoczy who pointed out nearly two score years ago that economics is the study of "How we live." That phrase brings it home and puts it on one's lap.

To understand economics is to understand how we take hold of the various resources of this world and put them together in such a way that we can stay alive. More. We do not, in economics, study merely the necessaries to retain the human heart beat. We want to survive, true. But we all want to live with some degree of personal satisfaction. To survive without any personal satisfactions would be to sustain a living death. Any prisoner in any jail receives the assurance that those who restrain him will do all in their power to keep him alive. That is not enough. We want to be alive as human beings, not as caged animals.

It follows that everyone, who wishes to stay alive as a human being, should understand at least the basics of economic lore. Those who have no such interest should wisely stop reading at this juncture.

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Were I to teach economics, I would try to make these points clear.

What is the first reality we should recognize as soon as we have isolated our area of inquiry?

1. Man is a profit-seeking creature. I will not endeavor to prove that point at this time; rather, I state it categorically. However, I will embellish it enough to remove a common misunderstanding. The word profit is so affiliated with bookkeeping procedures that I can anticipate an assumption here. Some will be certain I have said that everyone wants to profit in terms of dollars. This is decidedly not so.

Many are not interested in dollars, as such. Whatever interest he might have in dollars, every human being seeks to obtain more of whatever it is he values. Conversely, he seeks to prevent the loss of anything he values.

I am using the term profit in a philosophic or even in a psychological sense. So I will introduce another term and use it in place of the word profit.

Every human being seeks **plus factors.** His plus factors may be dollars. But they might also be friendship, love, good health, a comfortable bed, a good meal, a rare book, a work of art, a day of leisure, a job, a good bridge game, or anything else his heart, body or mind desires. In this sense, man is a profit-seeker. He seeks to satisfy his desires whatever they may be.

2. Man lives in a world of limited (scarce) resources. Let me provide an illustration. Man is a land-using creature. His habitat is land, not air and not water. He uses air and water, but land is where he lives. Our planet has a limited supply of land. Approximately thirty per cent of the earth's surface is above water and not all of that readily habitable. The total population of the world, whatever it may be at any given moment, must use the resources of this world's land to survive and satisfy human needs and wants.

3. Not only is our world one of limited resources, the resources we do have are unevenly distributed. No two pieces of land are equal in terms of utilization. Some plots of land have multiple utility. Some are near water or receive rainfall. Some are not and do not. Some land contains minerals, oil, metals and various chemicals. Some is apparently barren in terms of our present knowledge and technology. In an attempt to be "fair," a division of the land so that each person would have an equal amount of acreage would be about as unfair as anything that could be imagined. The person receiving a few acres in the middle of the Gobi desert has a

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high probability of dying of thirst. The person receiving a few acres in the middle of Beverly Hills might do very well indeed.

4. The same diversity of distribution we find in land resources is found with human resources. Human beings are unevenly distributed about the globe. In a few places we will find millions of people living within a few square miles. Elsewhere we have zero population. Thus the distribution of human beings ranges from impacted, to dense, to settled, to sparse, to zip.

The same disequilibrium of human abilities is evident. Some persons can perform in a superior fashion at almost any endeavor or enterprise. Some have very meager competency. Most of us occupy the undistinguished center, capable or even superior at some tasks, bumblers or worse at others. And there are a few, always, who cannot manage.

Were I to attempt a teaching of economics, I would try to make the foregoing points clear. Much more could be said in every instance, of course.

There are a few more preliminaries.

5. All resources, capable of being owned, are property. Property is that item, real, personal or abstract, that can be identified as a thing in itself and is capable of being controlled by one or more humans under certain conditions. To survive and to survive with any hope of comfort and satisfaction it is necessary that each human being dominate his own environment in his own interest to some degree.

This is not only true of man, it is true of any living organism. Life, as we understand it, is only possible when a given entity is able to obtain what it needs from its surroundings. Nature has denied us the evidence of perpetual motion. Man is not born with a built-in power pack which makes him indifferent and independent of his surroundings. Even the sun is cooling.

6. Man is totally dependent upon property. He cannot survive without it. But property makes no decisions. All decisions over property are made by human beings who are capable of controlling that property under certain conditions. Nothing happens in the market automatically. If something is to be produced, someone must make a decision to produce it. If something is to be distributed, someone must make a decision to distribute it. If something is to be consumed, someone must make a decision to consume it.

In the absence of man, nature takes over and property obeys natu-

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ral laws. When man is present, he learns natural law and, with that knowledge, exercises dominion over both natural and man-made properties.

7. Who is the proper decision maker over any given piece of property? A single choice is available. Either the person owning the property will make decisions over that property. Or a person not owning the property will make the decisions. Who else is there?

There are billions of pieces of property in the world. Each piece of property is owned by an individual or a group, or it is unowned. There are also billions of people in the world. If we decide that a nonowner should make the decisions over a property an individual owns, what incentive would there be for anyone to own anything? Further, which nonowner (when there are billions of nonowners in respect to each item owned) is to be given the authority over a property he doesn't own?

If we assume that all the nonowners should vote on each decision to be made, we reach the imponderability of numbers as well as the imponderability of information availability among those who are to vote. Indeed, we enter the theater of the absurd. Clearly, to reach decisions, either the owner or a selected group of nonowners must decide. The argument most often advanced in support of this latter practice is that private owners of property are profit-seekers and might make decisions that would injure others. Where is the evidence that nonowners are not profit-seekers? If I were called upon to make a decision over my neighbor's property, would I not be inclined to make a decision that would serve my ends, rather than my neighbor's?

While it is certainly true that the owner of a given item of property may lack in wisdom, it is equally true that a nonowner may also lack in wisdom.

But there is one thing to be said in favor of decision making by owners. To become an owner, certain thrift, forbearance and concern have already been expressed, either by the owner in person, or by those others who bestowed the property upon him and thus expect him to make decisions.

The only thing that can be said in favor of having nonowners make decisions over property they do not own is that they are there. But the owner is there, too.

8. Something needs to be said about decisions. Any decision is a finality. We cannot have it both ways. You cannot have your cake and eat it, too.

Are we to have homes only because others decide? Are we to wear clothing only when others make

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that decision? Are we to eat only when others reach that conclusion?

If you decide affirmatively in these last questions, then you have decided that man should be kept like an animal in a cage. And who decides which cage? Some other human being with no more wit nor wisdom than any other.

9. Finally, there is the question of right and wrong. I am not speaking of "good" or "bad." Good or bad are words derived from our respective value judgments. Right and wrong relate to appropriateness in terms of reality.

Without attempting a complete argument, because of space limitations, may I merely state categorically that there is only one way any human being can physically inflict an injury and hence impose a "wrong" on any other human being. He presumes to act as the authority over another person or that other person's property against that person's wishes. This is contrary to the basic nature of man as a profit-seeker. As a profit-seeker, each of us seeks to make decisions over his own person and property, and must do so to stay alive and to achieve any measure of satisfaction. I am not speaking of children, nor of any other incomplete or incompetent mentality. I speak of man qua man.

As a human being I am capable of either right or wrong behavior. That is to say, I can confine my decision-making to myself and my own resources in all categories. If I so limit my decision-making, it follows that I cannot commit a wrong against another. Since I do not presume to be an authority over anyone except myself, nor over any property except my own, my relationship with all others is peaceful and permits them to be free. Further, I am free, for the only person limiting my behavior is myself. And freedom means self-control.

When I am not content with this and presume to make decisions over other persons and other persons' property, and do so against their wills, then I am violating their basic natures as profit-seekers and am imposing wrongs upon them.

Were I to undertake the teaching of economics, I would begin with these beginnings. It is only when these ultimate givens are fully grasped and appreciated that we can enter the halls of the arcane mysteries provided by higher mathematics, calculus and statistical forecasting of probabilities. The economics professors may now take over. If they do so at this juncture, it is unlikely that they will presume the danger of the large corporation or the inevitability of monopoly, given a free market in a context of private ownership of property.

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Davis E. Keeler

The Indivisibility of Liberty

THE indivisibility of liberty is illustrated by the frequent occurrence that the violation of one "right" may also involve the violation of some other right. For example, a restriction on freedom of contract may also be thought of as a denial of equal treatment. The imposition of wage and price controls in an inflationary economy provides a good case in point.

Inflation spreads unevenly through society. Certain identifiable groups get newly-created money first and spend it before the market discounts it by raising prices. These people receive the benefit of inflation through a wealth transfer from other persons who do not know it is inflated money they are taking or who cannot do anything about it.

The money passes from the favored first recipients through various hands, gradually losing its premium, as prices gradually adjust upward to discount the inflated money. Eventually inflation is fully discounted and recipients of the inflated currency can no longer exploit their less fortunate neighbors.

However, if price or wage controls are imposed, those favored persons who received the initial issue of the inflated money continue to receive a premium value for it, as those who sell to (work for) them cannot adjust prices upward to reflect the de-

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creased value of the inflated money. These people suffer a wealth transfer, as their goods (labor) must be sold cheap to the politically-favored recipients of the inflated currency.

While the secondary holders of this inflated currency may, themselves, enjoy some of the benefits of price or wage controls in their purchases, this will be restricted by shortage. This is because no additional wealth has been created by inflation, and as there has been a transfer of part of the existing stock of wealth to the politically-favored first holders, the secondary holders will find themselves bidding with money now generally recognized as less valuable for a decreasing stock of goods and services. This is why shortages accompany price controls. Goods available on the black market will, of course, discount the inflated currency to its true value, as will all prices when controls are eventually rescinded by an electorate grown tired of the burden of controls. When this finally happens, the unfortunate holders of the inflated money, forced to take it by price or wage controls, will find it reduced to its true non-inflated value. Then the process of government-induced wealth transfer from the politically weaker to the politically stronger will be complete.

While this is a rather simple example, it can easily be multiplied. This is because almost all economic regulation involves the creation of invidious distinctions. If you look at almost any scheme of economic regulation you will find that it involves treating similar people differently. This is how it achieves its "results." This is also why socialists are so uncomfortable with the traditional rule-of-law stricture that all laws be general, that they apply to all people equally. Without the ability to create wealth transfers by legally favoring one group over another there would be no "benefits" for the socialists to distribute.

But, more fundamentally, this illustrates the fact that many of the rights enumerated in the Constitution are merely particular instances of the general right to liberty. While these rights emerged piecemeal in the modern period in such specific guarantees as freedom of the press or due process of law, they are not the basis of our liberty, but merely particularized examples of our larger right to freedom. As Blackstone explained:

> The liberties of Englishmen are not mere infringements of the King's prerogative, extorted from our princes by taking advantage of their weaknesses, but a restoration of that ancient constitution, of which our ancestors had been defrauded by the finesse of the Norman lawyers, rather than deprived by the force of Norman arms.

And this also explains why we

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should be intolerant of any restriction upon our liberties, no matter how slight. For the relation of rights is such that an acquiescence in the restriction of one may be used as an argument to violate another: "What's wrong with registering guns; we register automobiles, don't we?"

There is a natural tendency for people in a democracy such as our own to be tolerant of small abuses of our liberties, but it puts us on the slippery slope of logic when we must then argue that some new restriction is bad while some other was acceptable.

Liberty is an exciting idea. It illuminates the mind like sunlight. It refreshes like the breeze. It is whole and consistent and just. It is so powerful and persuasive that even its enemies claim to be in favor of it. And if we respect its wholeness and consistency and logic, it can be the most powerful idea in the world.

Cooperation

THE "cooperation" of socialism refers to the sharing of whatever is available to consume, regardless of how it came to be produced or saved, or who might claim ownership. Man, as consumer, is to help himself to anything he needs—but at the other fellow's expense. The double trouble with this concept of "cooperation" is its inherent immorality and the fact that it doesn't work. The theory doesn't work out in practice because most human beings won't work—or save—if they're systematically robbed by loafers, or taught to be loafers themselves. And, whereas voluntary charity may be considered one of the highest forms of moral human action, it seems clear that reversing the process to let the receiver of alms grasp what he wants from whom he pleases is quite as immoral as any other form of theft.

Because consuming may follow but cannot precede production, it is important that economic policy give consideration to producers and encourage them. Private property—the right to the fruits of one's own skill and labor, earned by serving rather than exploiting others—affords such encouragement. The owner of property is free to trade with others, if they are willing. He may not force anyone to buy his goods or services, but must vie for the buyer's favor—cater to the consumer—in open competition with all other producers within his market area.

Stiff competition? Yes, indeed. But also cooperation of the highest order, for it involves absolute respect for the lives, the property, the freedom—the gamut of human rights—of every peaceful person in the world.

PAUL L. POIROT

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Charles R. Batten

Conservation or Confiscation?

WHO OWNS the land and natural resources in these United States? The individual or corporation that holds title? Or does "society" own the land?

These are basic questions, yet largely ignored in the current debates over environmental problems and the use of natural resources. The final answers will determine what kind of a society we will have—whether that society will ultimately be one of individual freedom or one of centralized control of all facets of human activity.

The owners of property determine how the property is used. The owners of forest lands determine whether they will be used for the production of wood crops or for recreation, or some combination of both. The owners of the airwaves determine what is broadcast over them. The owners of printing presses determine what is printed.

To understand the issues involved, and where we stand in our search for answers to these key questions, it is important to look at our history, and see where we are today, and how we got here.

In any society at any time, there are currents and cross-currents—trends and schools of thought that are contradictory. They can usually be grouped into broad classes: authoritarian and liberal. Here, I mean authoritarian as the philosophy that favors the concentration of power, and liberal as the practical philosophy of individual liberty.

In the preface of his five-volume history of Colonial America, Murray Rothbard wrote:

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My own basic perspective on the history of man, and *a fortiori* on the history of the United States, is to place central importance on the great conflict which is eternally waged between Liberty and Power, a conflict, by the way, which was seen with crystal clarity by the American revolutionaries of the eighteenth century.[1]

British Mercantilism

Britain attempted to impose the mercantilist economic system on its American colonies. Mercantilism was based on the belief that the gain of one man or one nation must represent the loss of another and that the precious metals were the most desirable form of wealth. Mercantilism advocated the regulation of foreign trade in order to increase exports and to discourage imports—in other words, to create a favorable balance of trade.[2] It was the purpose of the colonies to provide that favorable balance in order to benefit the merchants of the mother country.

The basic mercantilistic structure was built up in the Navigation Acts during the seventeenth century. But Britain was in no position to enforce them, so the merchants of the colonies ignored them.[3]

Though Britain sought to restrict the production of manufactured goods in the colonies, it imposed a network of subsidies and prohibitions in order to encourage the production of ship masts and naval stores. Probably the first attempt of governmentally-imposed conservation in North America was contained in the Massachusetts Charter of 1691. The charter reserved to the Crown all trees twenty-four inches and larger in diameter on the public domain.

By 1722, the cutting of any white pine trees in New England outside of township limits was prohibited, whether publicly or privately owned, except under license from the Crown.

During the French and Indian Wars, Britain established her army in North America, and when the war ended in the early 1760s, was ready to enforce the mercantilist laws that the colonists had ignored so blithely during a century of salutary neglect.

Writs of assistance were issued, which authorized customs officers to break into warehouses, stores and private homes to search for illegal goods. Then, in 1763, the Surveyor General of the Woods began to enforce the White Pine Act. Two thousand white pine logs were seized in western Massachusetts on the grounds that they came from trees legally reserved for the Crown. The colonists reacted by threatening to beat or assassinate the Surveyor General's agents. Local justices of the peace refused to aid the deputies in enforcing the law.[4]

By that time, the colonists had

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had a taste of individual freedom and a free economic system. They were also beginning to absorb the ideas of John Locke, Voltaire, Rousseau, and other liberal writers. As Britain increased its efforts to enforce its mercantilistic policies, the resistance was also increased. Finally, in 1776, the colonists gave up all hope of being able to reconcile their differences with England, and publicly declared their independence.

Liberty had triumphed.

Constitutional Guarantees

The founding fathers set up a constitutional form of government which they believed would establish a nation in which the land belonged to individual citizens, the rights of the individual were guaranteed, and government was the servant of the people, to protect them and their property.

But, as John Philpot Curran wrote: "It is the common fate of the indolent to see their rights become prey to the active. The condition upon which God hath given liberty to man is eternal vigilance; which condition if he break, servitude is at once the consequence of his crime and the punishment of his guilt."[5]

So, slowly at first, but rapidly in recent years, power has usurped human liberty. Entangled within the web of power, we see the threads of environmental concerns.

The first great age of conservation, during the time of Gifford Pinchot and Theodore Roosevelt, dawned in a distrust of private owners as custodians of natural resources, and a distrust of the free market and its pricing system as the means of allocating resources.

So millions of acres of lands were reserved in government ownership ". . . for the purpose of securing favorable conditions of water flow, and to furnish a continuous supply of timber for the use and necessities of the citizens of the United States. . . ."[6]

Then, in 1970, the environmental movement was launched with the national observance of Earth Day. The remnants of the White Pine policies of 250 years ago, the forest reserve policies of Teddy Roosevelt, the alphabet agencies of the depression years, and the "emergency" controls of the Second World War had evolved into a mixture of regulatory commissions, economic controls and court decisions that gave the federal government the power to control virtually every facet of our economy.

But many individuals still resisted. They insisted that they still owned their land and could do with it what they chose, so long as their use did not injure a neighbor.

The authoritarians, those people who are unable to distinguish a natural order in a society not centrally

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directed, captured the environmental movement as a means by which they could extend the power of government over the remaining sectors of our society which were until then relatively free.

The Environmental Handbook

The Environmental Handbook, Prepared For The First National Environmental Teach-In (still available in bookstores on and near college campuses) is a manifesto for social change.

In order to come to grips with our environmental problems, wrote Garrett DeBell, editor of the book, "we must propose workable alternatives to our present patterns of living."[7] The admittedly antihumanistic and anticapitalistic bias of the environmental movement was clearly revealed.

The authors called for "an entirely new framework of land use policies," including coastal commissions, state-wide zoning, and taxation to discourage the use of natural resources.

One goal expressed in the *Environmental Handbook* is "A basic cultural outlook and social organization that inhibits power and property-seeking while encouraging exploration and challenge in things like music, meditation, mathematics, mountaineering, magic, and all other ways of authentic being-in-the-world."[8]

The thrust of the book was summarized in the closing piece—a fable which advocates a return to the simple life of the stone-age Polynesian: "Only by following the example of the Polynesian can we survive. We must assert ourselves as individuals while submitting to nature."[9]

Those who sought the extension of central power over all of our society joined those sincere individuals who are concerned with the illnesses of the environment, real or imagined.

The Call for Control

To reach the objectives described in their manifesto, the leaders of the environmental movement launched an attack on the people and the institutions that they believed should be controlled by government.

Since we have been told that we have a capitalistic society, then it was a simple step for them to suggest that the capitalistic system is to blame for all environmental ills. Therefore, we must abolish capitalism, or at least control it, so we can purify our environment. Industries and property owners, they reasoned, must be controlled by government.

To control the economy, it was necessary to launch an attack on businessmen and industrial leaders.[10] To control the use of natural resources, it was necessary to attack the timber, mining, and the energy industries. It was necessary to

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"prove" that in their greed for profits, those industries are destroying the resources and the environment around us all.

The emotional charges and statements made in order to convince the public that spaceship earth's life-support systems are in immediate danger of destruction range from simple and deliberate obfuscation all the way to outright falsehoods.

It is amazing to me that such tactics, based on the morally bankrupt philosophy that the end justifies the means, have been so successful. Dozens of laws have been passed literally confiscating the rights of landowners to their property, in the name of environmental protection.

Federal and state environmental protection acts, coastal zone protection acts, air and water pollution control laws, forest practice acts, surface mining control acts, wild and scenic rivers acts, and endangered species acts are some of the laws passed since 1970 that authorize government agencies to impose their authority over the resource owners.

They have usurped the property owner's control over his property. Ownership implies control. If the person holding a deed does not control the use of the property it describes, he does not truly own it.

Today, we are back where we were in the mid-1700s. In at least two states, a private timber owner must get permission from the state before he can harvest timber. Similar restrictive forest practice legislation has been considered in other states and in Congress.

On both the Federal and State levels, government has the ultimate control over nearly all natural resources. Since all material wealth, and all economic activity originates from natural resources, government has virtually total control of the economic activities of the people.

Capitalism Threatened

The environmental movement has been seized by those who would destroy capitalism in the United States, and establish some form of socialism in its place. It has gone a long way toward the completion of its objective.

Power has won over Liberty. Obfuscation has led to confiscation.

Petr Beckmann has tried to explain why the environmental activists seek to destroy capitalism. He charges that the "Small Is Beautiful" cult led by the late E. F. Schumacher (author of the book by that name) and Amory Lovins is attempting to impose the kind of energy sources on today's society that were used during the days of feudalism. Politicians and even many persons in academia and business are in ecstasy over their proposals. The common man—the

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consumer, the blue-collar worker—will be the big loser.

The environmental activists are a small, elite group who resent the common man, "for he is crowding 'their' highways, beaches, national parks, airlines," wrote Beckmann. "They resent the free enterprise system because it lets people buy and do what they want to, when they really should buy and do what they *ought* to. And what they ought to do should be planned by the tone-setters who know what is good for the people.

"The influential social position of this elite, then, is threatened by the mass prosperity that is bred by technology and free enterprise," said Beckmann.[11]

Dr. H. Peter Metzger has built a good case to show that the environmentalists are deliberately setting about to create the shortages of energy and other natural resources that they have predicted, and that they are being successful in their efforts. They have virtually stopped all nuclear power plant licensing, new coal leasing, water developments, new development on federal lands, and new industry (the latter through air pollution control requirements).[12]

Obfuscation and confiscation have frustrated the normal economic activities of basic industries engaged in converting natural resources to consumer goods.

Restoring Private Ownership

The history of mankind has shown that the highest levels of civilization and the highest standards of living have been achieved under conditions of individual freedom to make economic decisions and to own and control property. To retain that freedom, we must restore the prerogative of the private owners of natural resources to allocate the use of those resources through the marketplace.

You, the reader, may by now wonder what can we do about it? What is the outlook for the future?

We have hard times ahead. The authoritarians have already nearly accomplished their goal, but in spite of it, I am optimistic for the long range future. There are many hopeful signs, though we must search for them.

There is increasing recognition among consumers that most of our current economic ills—inflation, energy shortages, and the like—can be blamed on the interventions of government.

While the trend toward authoritarian controls over natural resources and their use has been relentless in its advance, there are some signs of relaxation of controls in other segments of the economy, mainly in the transportation and communications industries. Deregulation of important industries is being seriously discussed, and the

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> ECONOMIC CONTROL is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever has sole control of the means must also determine which ends are to be served, which values are to be rated higher and which lower—in short, what men should believe and strive for. Central planning means that the economic problem is to be solved by the community instead of by the individual; but this involves that it must also be the community, or rather its representatives, who must decide the relative importance of the different needs.
>
> F. A. HAYEK, *The Road to Serfdom*

first steps in that direction have been taken.

Those steps are the result of the rapid growth of the libertarian movement, and its improving ability to raise the issues of public regulation before the people, and explain the inevitable results. Increasing numbers of writers, scholars and organizations are contributing to greater public realization of the benefits of individual freedom from government regulation.

Only a few writers within the libertarian movement have focused their attention on the problems of resources and their use. But the foundation is being formed, and when applied by thinking people to natural resource problems, there will inevitably be an impact.

Some pessimists believe that it is too late—that we have already gone so far down that road to centralized control that we will not be able to return to a free economy. But I do not agree. Progress in any area is never steady, but comes in spurts. Rapid progress may be made at one time, then it slows or may even appear to be in reverse, as it does at this moment. But it is never too late to get back on course.

Changes in public opinion and hence in the direction society takes can be amazingly sudden.

Back in Colonial America, in October, 1760, sixty-three merchants banded together to oppose the renewal of general writs of assistance, which authorized customs officials to break into warehouses, homes, businesses, or board ships to search for contraband, without the formality of showing any evidence that they might find it.

The merchants hired James Otis to represent them in court. Otis went beyond the narrow legal defense, and based his arguments on constitutional grounds and on the inherent rights of British subjects.

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He based his major argument on the statement of early seventeenth century Chief Justice Coke, that "when an act of Parliament is against common right and reason . . . the common law will control it and adjudge such act to be void."

Otis declared: "An act against the Constitution is void; an act against natural equity is void; and if an act of Parliament should be made . . . it would be void."

Otis lost his day in court, but he became the leader of the new Popular party, or "Smugglers party."[13]

Only 16 years later, July 4, 1776, a group of citizens, gathered in Philadelphia, declared that all men are free, and that the colonies were independent from Great Britain.

It is not too late. We are well on the way toward the creation of a better understanding of how a free society works, and toward the creation of that society.

—FOOTNOTES—

[1]Murray N. Rothbard, *Conceived In Liberty*, Vol. I (New Rochelle, N.Y.: Arlington House, 1975), p. 9.

[2]Percy L. Greaves, Jr., *Mises Made Easier: A Glossary for Ludwig von Mises' HUMAN ACTION* (Dobbs Ferry, N.Y.: Free Market Books), p. 89.

[3]For a discussion of mercantilist restrictions in Colonial America, see Rothbard, *op. cit.*, Vol. II, pp. 205-214.

[4]Rothbard, *op. cit.*, Vol. III, pp. 37-40. Rothbard describes British attempts to enforce mercantilistic laws, and the reaction of various colonies from pp. 37 to 67. For a more detailed discussion of Britain's forest policies in the Colonies, see *Pine Trees and Politics—The Naval Stores and Forest Policy in Colonial New England, 1691-1775*, by Joseph J. Malone (Seattle: University of Washington Press, 1964).

[5]John Philpot Curran, *Speech Upon the Right of Election* (1790).

[6]U.S. Department of Agriculture, *The Principal Laws Relating to the Establishment and Administration of the National Forests and to Other Forest Service Activities*, (Washington, D.C.: U.S. Government Printing Office, Rev. 1964), "Organic Administration Act of 1897," pp. 63-66.

[7]Garrett DeBell, ed., *The Environmental Handbook, Prepared for the First National Environmental Teach-In*, (New York: Ballantine Books, 1970), p. xv.

[8]*Ibid.*, p. 331.

[9]*Ibid.*, p. 344.

[10]For a good discussion of these tactics, see "The Liberal Mentality and the Malpractice Mess," by Patricia S. Coyne, *Imprimis*, Hillsdale College, Hillsdale, Michigan, Vol. 5., No. 10.

[11]Petr Beckmann, "Economics as if SOME People Mattered," *Reason*, October, 1978, p. 31.

[12]H. Peter Metzger, "The Coercive Utopians: Their Hidden Agenda," a speech before the American College of Nuclear Medicine, April 28, 1978, printed in the *Denver Post*, April 30, 1978.

[13]Rothbard, *op. cit.*, Vol. III, p. 37*f*.

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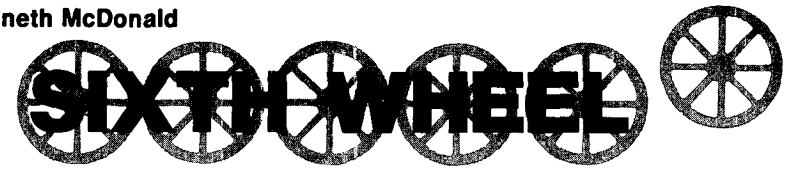
Kenneth McDonald



CANADIANS who complain about the growth of governmental spending are often challenged to be specific. "All right," they are told, "what would *you* give up?"

As a response to criticism it's deceptively simple. It assumes, first, that citizens have a say in the making of policy and, second, that the spending growth has been for their benefit.

Both assumptions are false. Let anyone who doubts it try to recall, during any of the election campaigns in 1968, 1972 or 1974, being asked to vote for or against a specific policy.

Was their opinion sought about immigration, or multiculturalism, or permissiveness, or official bilingualism, or foreign investment, or the "progressive" tax system? It was not.

Did any of the candidates, while promising heaven on earth if they were elected, offer any estimate of the cost to the electors? They did not.

The fact is that government's chief occupation has become the redistribution of wealth and income—which is the well-worn euphemism for taking money from those who earned it and giving some of it to others who didn't.

This has involved a fundamental change in the nature of representative government. Its prime responsibility is to guard the peace in which citizens can go about their business, creating wealth in the process.

Now the role of guardian has been submerged in another: that of participant in the business of citizens. Unable to create wealth, governments redistribute it. While doing so, their own

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Though addressed to Canadians, the ideas apply in all nations.

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employees and procedures consume about 30 per cent of the wealth that was created.

This fundamental change has given citizens the impression that governments do indeed have money of their own, an impression that politicians have not been slow to encourage. Hence the electoral promises of "help" for this group or that region, but never of where the help is to come from.

The trick is performed with the aid of a very simple device: never to let the giver know who the receiver is.

The money we "give" through taxes goes, we are told, not to people but to programs. The programs provide jobs for administrators and inspectors and social activists and all the rest of the welfare state's hangers-on.

It is as if a family of five, with one son either unable or too idle to find work, instead of taking the responsibility themselves, were to hire someone to keep him company—a sixth wheel to be carried along with the fifth.

Now it is charged that cutting back on governmental spending will result in a cutting back of services that citizens have "demanded."

Many of them, however, were not demanded at all, they were simply manufactured by bureaucrats as the natural product of an overgrown bureaucracy

There is no doubt that after 15 years of changing the emphasis from production to consumption, changing it back again will not be easy. Nor can it be done without some dislocation. A generation has grown up to the idea that there is a free lunch, courtesy of government.

The penalty for over-consumption is the same for a nation as it is for an individual: inflation. Caused by governmental spending, the cure is to reduce it.

The answer to the question, "What would *you* do?" is "Reduce spending by governments, and encourage individuals to produce more by letting them keep more of their own earnings."

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World in the Grip of an Idea

Clarence B. Carson

28. The Cold War: The Third World

THE NEAT division of the world into two camps began to lose what validity it had in the mid-1950s. This did not initially signal any lessening of tension between the United States and the Soviet Union. Indeed, the division began to lose its sharpness at just that juncture when American foreign policy was most adamant under the leadership of John Foster Dulles. Nor was there any lessening of the American effort to form regional alliances and support them in various parts of the world. Nonetheless, it is now about as clear as it can be in a world muddled by rhetoric which quite often has little discernible connection with reality that the Cold War peaked in the middle of that decade. The two-world concept began to lose its cogency.

Some revisionist historians now claim that the division of the world, and especially the Cold War, was an American device. For example, a recent textbook declares that "the United States having invented the bogey of the international Communist conspiracy, and then by its own policies having turned that fantasy into fact, now became

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

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frightened out of its wits by it."[1] The United States did not, of course, invent the Communist conspiracy. On the contrary, American political leaders did their best for years to ignore the evidence for it, admitting it, to the extent they ever did, after revelations made denial impracticable.

In point of fact, it was communists who divided the world in two. From the time of the formation of the Communist International, they held to a view that the world was critically divided. Their writers have long referred to it as a division between socialist and capitalist nations. Soviet writers have kept to this terminology over the years.

At any rate, a congeries of events occurred in the 1950s which made the bipolar—one pole in Moscow and the other in Washington—world view less and less applicable. With the driving of the Nationalist Chinese from the mainland, Red China leaders consolidated their rule and began to develop a sphere of communist influence outside the Soviet sphere. It was the Chinese who intervened in the Korean War, not the Russians. Washington's credibility as the defender against communism may have waned as a result of the acceptance of the Korean standoff. It definitely did when the United States did not intervene on behalf of the uprising in Hungary. Even the European unity was severely strained by the failure of the United States to support Britain in the Suez Crisis.

Origin of the Idea

But a much better indication of the break-up of the bipolar world was the emergence of what has been called the Third World. The term began to come into currency around 1955.[2] The term was given body, of sorts, by the Bandung Conference held during the same year. Representatives of twenty-nine Asian and African nations met in Bandung, Indonesia. "Communists and proto-Communists vied with anti-Communists in denouncing Western colonialism . . ., in lauding the high purposes of the UN, and in asserting that recourse to arms in national self-defense was wholly justifiable. In a notable demonstration of solidarity, at least in sentiment, the delegates promised to steer clear of East-West quarrels, if that could be achieved. Speaking for Red China, Chou En-lai . . . uttered sentiments calculated to soothe apprehension that Peking nurtured aggressive designs upon neighbors. . . ."[3] For a brief period it looked as if the Third World might become a definite entity, but it did not. It has remained largely a concept with whatever content one wished to ascribe to it, although it usually refers to Asian, African, and sometimes Latin American nations.

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France has not figured to any extent in this account thus far. Although the omission can be explained by the necessity of keeping the presentation within some sort of bounds, it is nonetheless an unfortunate one. French thinkers have had considerable impact on and many of them have been clearly under the sway of the idea that has the world in its grip. Although France has declined as a world power in this century, Frenchmen have often been at the forefront of cultural developments. Indeed, France—perhaps Paris would be more accurate—has been the spiritual home of the *avant garde* in literature and the arts. And that is a way of saying that much of the cultural transformation of this era has had its inception in France and has spread outward from that center. The significance of this is more easily perceived when it is understood that cultural alteration both prepares the way for the victory of the idea and is the main object of those under the sway of the idea.

A strong case can be made that ideology is the natural mode of French thought. Modern intellectual history provides ample evidence to support such a thesis. John Calvin tended to ideologize Christianity. René Descartes provided an ideology for modern science, although Francis Bacon's formula is better known. The Marquis de Sade brought forth an ideology of Sadism, which has furnished the tangled motif of modern revolutions.[4] Jean Jacques Rousseau constructed an ideology of democratism, and provided as well the seminal work for undergirding educationism. The fundaments of socialism first appeared in the works of an obscure Frenchman by the name of Morelly.[5] Communist thought had its French forebears, but it was, of course, Karl Marx who gave it the formulation which has now swept over much of the world. Perhaps for that reason French intellectuals have been less than satisfied with the Marxist dogmas even when they have been enamored of them. They must somehow be twisted into a Gallic framework, as witness Jean Paul Sartre's existentialism and Teilhard de Chardin's evolutionism.

The French Influence

Be that as it may, the Third World concept may be French in its origin. Sartre may have been the first to use the term.[6] Moreover, in the last years of the Fourth Republic, the French referred to the "center" complex of socialist parties as a "Third Force," a phrase sufficiently similar to have given rise to the other. Two components of the Third World concept are national independence and ideological eclecticism. Both components involved "non-alignment," non-alignment with either the

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Soviet or American camp, and nonalignment with either ideology.

Charles de Gaulle took the leadership both in trying to revive French influence and in having France follow an independent course in foreign affairs. He was particularly concerned to shake off dependence on the United States. To that end, he promoted the development of nuclear weapons by France, and downgraded participation in NATO. He favored, however, a continental force of European powers which he referred to as a "Third Force."[7] By boldly following this course France set an example for Third World nations.

De Gaulle was ideologically eclectic, too. Although he was a nationalist more than anything else, he presided over a government that was more or less socialist in its animus. (None other would have been acceptable to Frenchmen generally.) But the strain of ideological eclecticism runs deeper than that in post World War II French thought. There were rumblings amongst French thinkers of the decline or end of ideology. The kind of eclecticism that this portended had much earlier been formulated by Americans as pragmatism or instrumentalism. The French semi-Marxist, Jean Paul Sartre, provided a different gloss for it in his exposition of existentialism.

Sartre denied the validity of Marxian materialism. It is a species of essentialism, and since existence precedes essence, there are no such pre-conditioning essences. Nor is the emergence of socialism, or communism, written in the historical stars, so to speak. If emerge it does, it will be because men made it emerge and, if they do so, they must do it in terms of the situation that they find themselves in. There is no order and no particular set of circumstances which will bring it forth. Sartre stated it this way:

> The revolutionary considers that he *builds* socialism, and since he has shaken off and overthrown all legal rights, he recognizes its existence only in so far as the revolutionary class invents, wills and builds it. . . . It does not lie at the end of the road, like a boundary-mark; it is *the* scheme formulated by humanity. It will be what men make it; it is the outcome of the soberness with which the revolutionary envisages his action. . . .
>
> Thus the philosophy of revolution, transcending both idealist thinking which is bourgeois and the myth of materialism which suited the oppressed masses for a while, claims to be the philosophy of *man* in the general sense.[8]

It may appear that Sartre had opted for evolutionary or gradualist socialism, but by his language he denies this. He claims to be a revolutionary, which would separate him from that persuasion. He was claiming, too, to be the proponent of another way, a "third way," to socialism. It would, of necessity, be

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ideologically eclectic, for it would be a building of socialism within given situations. Some such notion went into the Third World concept.

Nehru in India

Another prime influence on the Third World concept was India and its leader Jawaharlal Nehru. Nehru was educated in England, and while there he completely imbibed socialist doctrine. During the period of his indoctrination British socialists were committed to government ownership (nationalization) of all major industries. The debacle of English nationalization did not turn Nehru against socialism, but it did sway him toward a more eclectic course. In any case, India was hardly in position to follow Western models of gradualism.

Nehru embarked on a course of neutrality in relations with East and West. As one history describes his position: "Much impressed though he was by Soviet economic achievements, Nehru stood forth as the most influential non-Communist voice in Asia. . . . Without equivocation, he declared that Marxism was an outmoded nineteenth-century creed, incapable of solving the vexing problems of India. . . . Nehru only tepidly fought communism outside of his homeland, and adopted the middle way of neutralism, of nonalignment, in the secular struggle between the Communist bloc and . . . the West."[9]

But whatever its origins, and whatever influences may have helped to shape the Third World concept, it was nonetheless grist for the mills of communism from the outset. It could be, and was, fitted into the communist dogma of imperialism. Lenin had leaned heavily on the imperialist dogma, both to justify the revolution in Russia and as the basis of a predicted forthcoming world-wide revolution. He also reinterpreted the Marxist vision of the future in terms of imperialism. Marx's prediction, according to Lenin, had been thwarted by the development of Western imperialism, and capitalism had been temporarily saved from the onslaught of a disinherited proletariat. Here is a summary statement of Lenin's position:

> Lenin's explanation for the loss of revolutionary enthusiasm among the Western workers was simple—they were no longer exploited. More accurately, an important section of the workers, the most skilled and intelligent, were no longer exploited and had become bourgeoisified. This section of the workers and the financiers joined together to exploit the backward nations of the world: the financiers thus replaced class exploitation with the exploitation of other countries. The industrial nations will never therefore be revolutionized until the backward nations are freed from the colonial powers. Beginning

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with Lenin, then, the focus of the Communist Revolution shifts to Asia, Africa and Latin America. . . .

The Leninist *tour de force* saved Marxian revolutionism. The class struggle then became an international struggle between two camps: on the one side the exploited, non-industrialized nations. . . ; on the other side the industrialized nations of the West. . . ."[10]

The Stalinist strategy, however, did not follow this pattern with any consistency. Stalin concentrated on developing communism in one country, the Soviet Union, on fostering the development of Moscow dominated parties in all other countries, and eventually the use of the Red Army to fasten communism on eastern Europe. Communists always carried on a verbal assault against Western imperialism, of course, but it was only after Stalin's death, and in a new context, that Lenin's theory emerged to undergird a fullfledged strategy.

Communist Strategy

When so many colonies either broke away or were cut loose from colonial powers after World War II, the stage appeared to be set for communist expansion. Indeed, the Cominform became quite industrious in fostering guerilla warfare and other forms of incipient revolution. Things did not, however, go according to communist plan. As has already been noted, the United States intervened to take up much of the slack occasioned by the withdrawal of former colonial powers, began to offer economic and military aid, and to form regional alliances around the world. The Cold War developed. The golden opportunity for communist expansion was being lost, in the main.

There was yet another problem for communism, a problem of how to approach these newly freed colonies. The militantly aggressive tactics of the Stalinist period were hardly calculated to win friends and influence people in these former colonies. These were the "exploited" peoples. To foster parties under the control of Moscow and designed to stir up revolts against their own governments, however newly formed, would surely alienate these peoples. (That is not to say that the Soviet Communists were above doing all these things, but it was an ineffectual tactic and hardly a posture to be avowed.)

The Third World concept provided a convenient solution to these problems, too "convenient," one suspects, not to have been at least partially devised by communists.

A new line about former colonies was advanced. The old colonialism was being replaced by a new colonialism, referred to as "neo-colonialism." As Thomas Molnar pointed out, "Circles which promote the slogan of 'neo-colonialism' insist, of course, that the big com-

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panies (in French Africa, in the Copper Belt, for example) exploit their host countries just as much as before independence. In fact, it is alleged that exploitation had been stepped up because there is an increasing demand for minerals by industrialized countries, and also because the companies' freedom of action in decolonized territories is no longer checked as it was in the days of an Administration representing a strong overseas government."[11] According to this view, only the communist countries, which had no private businesses, could bring about real decolonization.

In keeping with all this a new Soviet strategy took shape. One writer describes it this way:

> The basic Soviet view of the less developed countries changed radically from that held in the period 1948-1953. . . . The U.S.S.R. came to believe that in the short term, at least, countries might exist which because of their own convictions and interests chose to be aligned with neither the West nor the Communist camp.
>
> Concomitant with the basic shift in Soviet foreign policy outlined above was the increased reliance on economic means of influencing the less developed countries. A sweeping economic offensive in the third world emerged after 1953 in the form of numerous trade and economic aid agreements. . . .[12]

Another ascribes the change to Soviet Cold War strategy:

> In the 1950's, the third-world strategy was attached to the so-called process of decolonization, and non-Communist . . . regimes were enlisted in a general posture of neutralism which, while it was not particularly helpful to Communist expansion, was immensely harmful to the strategic position and moral prestige of the West.[13]

A Soviet writer, writing in the late 1960s, made the following claims for the extent of foreign aid by the Soviet Union:

> The Soviet Union began to establish extensive economic ties with Afro-Asian countries in the mid-1950's. Along side the growing volume of ordinary export-import trade, an important role was played by technical and economic cooperation based on inter-government agreements. By 1956, such agreements had been signed with Afghanistan and India alone, whereas today the USSR is giving economic and technical assistance to 29 Afro-Asian countries.[14]

Symbolic Aid from Russia

The granting of aid was of great symbolic ideological significance for the Soviet Union. I noted earlier that underdeveloped countries could not readily follow the gradualist model of industrialized countries. They have neither the technology to produce it nor great wealth to redistribute. The way of the West to socialism could hardly be appropriate to their circumstances. By contrast, Soviet Communists claimed that Russia had been an underde-

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veloped country, and that communism had provided the way for its development. Foreign aid, particularly the provision of factories, constituted the best sort of proof they could offer.

A scholar summed up the position this way: "The emergence of the Soviet Union as a major economic power and an additional source of capital has enabled it to present itself to the developing countries as an alternate economic model: a former economically backward country which had attained an impressively rapid rate of economic growth in a relatively short period of time." The "Soviet Union has pressed its claims that only a centrally planned and controlled economy . . . can provide the desired social and economic development."[15]

This Soviet aid was not, however, carried out in the simple context of the Cold War conflict between East and West. It was also a part of the mounting rivalry between the Soviet Union and Communist China. Each of these countries was contesting for dominance of communist parties in many countries, and for leadership of the communist movement in general. The Soviet shift to economic assistance occurred at about the same time that the Chinese began tentatively to offer assistance. A recent book gives a brief history of that aid in these words. "Peking has been in the aid business since 1953 . . ., and to date has aided more than fifty-five countries on five continents. . . . China's economic aid program has increased many times in size and scope since 1953. . . . Recent aid promises offer further evidence. In 1970 Chinese aid nearly matched its total official aid to non-Communist countries up to that time and amounted to nearly sixty-five per cent of the total Communist bloc aid to underdeveloped countries. . . ."[16] Among the countries China had extended aid to were Cambodia, Burma, Nepal, Laos, Ghana, Algeria, Kenya, Nigeria, Chile, and Peru.

The purpose of Chinese aid is suggested in this argument by a French Marxist: "There is really no way out for the people of the Third World in this context [imperialism and exploitation]. It is not a question of whether socialism is attractive to their rulers or leading thinkers. . . . It is simply a matter of accepting the evidence; there *is* no other possible solution; like it or not, for them China is the great example."[17]

Chinese Credentials for Third World Leadership

The Chinese credentials were advanced as being impeccable for the leadership of the Third World, in contrast, say, to those of Russia. Russia had been an independent nation (more properly, empire) before the Bolshevik Revolution, and had

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been little subject to "imperialistic exploitation." By contrast, China had been carved into spheres of influence in the late nineteenth century and had been the playground of "imperial" powers until the Communist takeover. Incidentally, the militant nationalism of Chinese Communists was palpable to foreigners who happened to get detained in China during the period of Chinese isolation (1950s into the 1970s).

Moreover, there were ugly racial overtones enunciated in the Chinese thrust to leadership of the Third World. The Russians were excluded from the Bandung Conference on the grounds that they were white.[18] The explicitness of this racism has been pointed up by Boris Meissner. He says:

> The violence of the collision between Russian and Chinese nationalism is partly a result of racial components which lend the struggle of the two powers certain atavistic features. The Russians fear that the Chinese might succeed in playing off the various races within the Communist camp against one another, thus splitting world communism into white and colored wings, with the latter having numerical predominance. Peking makes use of Communist front organizations such as the World Peace Council and the World Federation of Trade Unions, as well as Chinese-oriented bodies such as the Afro-Asian Solidarity Conference, as forums where they attack the policies of the Soviet hegemonial power and play off the colored peoples against the whites.[19]

Racist Connotations

Given the communist interpretation of Western "imperial exploitation," the racist connotations were virtually unavoidable. (Given, too, the hypersensitivity to race in the world since World War II.) Most of the peoples in subject colonies in the twentieth century have been "colored." If colonies were devices for exploiting these people, then they were devices for exploiting the "colored races." Indeed, the Third World concept was shot through with these racial overtones. It has never been so explicit as absolutely to exclude countries with a preponderance of white people, such as some Latin American countries, that has nevertheless been its tendency.

Even though communists have tried to take full advantage of the Third World concept, it would be a mistake to view it simply as a plot to foster communist expansion. The greatest advantages, at least initially, accrued to the politicians and dictators of the third world. Not only did communists subscribe to the notion that Western imperialism had been a system of exploitation of subject peoples but so have most Western intellectuals.[20] This gave Third World politicians ready made enemies—Western imperialists—, something most useful to politi-

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cians, especially when the enemies are not constituents. They could appeal for the unity of their peoples against these outsiders. It also provided an explanation and an excuse for their economic backwardness. They were not to blame for their condition; they had been overcome by superior technology and exploited by Westerners.

A Powerful Political Tool

The Third World Concept was useful in many other ways to those countries which could use it. It enabled them to play off East against West. Most of these countries accepted aid from Washington, from Moscow, from Peking, or from whatever source they could get it. Since they were non-aligned, the aid they received entailed few, if any responsibilities. Indeed, the Third World concept was, and is, an irresponsible concept. The countries are not, according to the concept, responsible for the conditions which prevail there, and they accept little or no responsibility for what goes on in the world. If, or, better still, when, since it is usually only a matter of time, they confiscate the private property of foreign investors, or foreigners in general, the concept justifies that, too. After all, the foreigners had only been there to exploit them.

In short, the Third World concept is a most useful ploy for politicians and dictators in many parts of the world. They can shake their fists at the great world powers. They can hold out their hands for aid, threaten one side that if they do not give aid they will get it from the other, and offer little or nothing in return. Numerous small nations claim the full fruits of sovereignty, take their places among the great powers in the United Nations, form concert with other small nations to extort concessions, and do not even pay their dues. The concept provides an apology for two-faced behavior, beggary, thievery, extortion, and irresponsibility.

But our main concern here is with the place of the Third World concept in the frame of the idea that has the world in its grip. It is, of course, part and parcel of that idea. It fits in most particularly as a part of the pressure for redistribution of the wealth from the haves to the have-nots, as the phrase has it, among the nations. Since the redistribution is from nation to nation, or, as in the case of the confiscation of foreign holdings, from private sources to nation, it is very much a socialist idea. Its nationalism is a means of concerting efforts within the nation behind the programs that are advanced and the oppressions they entail.

The Third World concept covertly implies, when it is not explicitly stated, that there is a third way

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to socialism. There is a non-ideological way to socialism, an eclectic way. In short, there is a way to socialism that does not entail the dogmas either of revolutionary or evolutionary socialism. It is not a matter for wonder that anyone setting out for socialism in the last couple of decades should hanker for such a possibility.

After all, Stalin had managed to thoroughly soil whatever of the Marxist dogmas had gone into Leninism-Stalinism. He had to some degree succeeded in hiding the full degradation of communist rule from the world during his reign. But he was not long dead before he was being publicly denounced by Soviet Communists. By the late 1950s, if not before, only the purblind could deny that Soviet Communism was terrorism, tyranny, bureaucratic oppression, and a failure from whatever angle it could be examined save one—it did succeed in fastening totalitarian rule on the Russian people. The dogmas of Marxism as they had been strained through the Soviet mesh had about as much appeal as stale bread laced with poison.

A Futile Quest

The most cherished dogma of Fabian socialism—nationalization—had proved a disaster for the English. Hitlerism had cast a pall over national socialism, at least in its racist formulation. The pale socialisms of continental Europe smacked of everlasting compromises, compromises in which an increasing portion of the wealth of the citizenry was drawn into the maw of governmental machines, in which private industry was shackled by regulation, and in which the money in hand was declining in value because of inflation. The United States was neither much better nor much worse, and few enough recognized it as a road to socialism. In any case, gradualist socialism offered few prospects for the politicians of the Third World. They did not have the wealth to distribute, nor the patience and time to acquire it.

The Third World concept is a fraud. There is no third way to socialism. In fact, there is no way to achieve the vision of socialism, hence all socialisms are frauds, but let that go. One way is by terror and violence—that is revolutionary socialism. The other is to buy votes with the promise of goods taken from the populace by subtle uses of force—that is democratic socialism. True, there are many possible combinations of terror and violence with populism, but Hitler had used most of them before many of the Third World dictators had reached their majority. About all that the Third World has contributed to the mix is an apologia for extorting alms from other governments.

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The Third World concept is, however, fearsome testimony to the firmness of the grip the idea now has on the world and to the decline in clear thought that has accompanied the process. More nations have been born since World War II than existed before that catastrophe. They were brought forth with proud claims of independence and buoyant cries of freedom. Yet one by one they have been dragged down the dreary by-path marked as the third way to the Valhalla of socialism, if it has been marked at all. The roll call of these nations is too long to make here; the sordid account of their petty rulers would take up too much space; their oppressions too dreary to make good newspaper fare. Even the recognition of ideologies, much less the construction of a passable one, surpasses their skill.

A Passing Phase

The Third World concept did not signify the end of ideology; it more nearly signified the reduction of ideology to obscenity. The barbarization and degradation which attends socialism produced its pale reflection in the Third World. For a brief span of time, concentrated in the mid-1960s, the Third World concept captured the imagination, perhaps even the idealism, of a good many people. The Third World concept promised redemption, redemption not only for the Third World, but for the whole world.[21] There was a way other than the way of life of Europe, America, or the Soviet Union. Virtue resided in the former oppressed peoples of the world, in Africans, in Chinese, in Indians, in American Indians, and so forth. Western technology was an affliction of the world. We must go in sack cloth and ashes to learn from the gurus of the Third World the secret of life. So, many young people exhorted us.

There was something exceedingly strange about all this. The young people who heralded this new dispensation in Europe and America forswore ideology, yet carried banners proclaiming the virtues of Mao tse Tung, Ho chi Minh, and Che Guevara, prime ideologues, if any there were. They claimed reaches of tolerance for themselves never before conceived, but were intolerant of all disagreement. There may have been a modicum of thought which preceded their emergence as enthusiasts, but it was drowned out by their obscenities once they were under way. It is not too much to say, then, that in the hands of its youthful proponents, the Third World concept became obscenity.

Although the Third World concept no longer glitters with bright promise—indeed, it never got very far off the ground—but it nonetheless had considerable impact. It served as a cover sometimes for

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communist regimes to be established. But, equally important, it introduced a deal of confusion into the world. Ideological lines were blurred. The theretofore clear distinction between communist and noncommunist was now much harder to make. The world was not divided into two; it was divided into many. A softening process had taken place, a softening up for further stages of the development of the idea that has the world in its grip, perhaps. It contributed much to a further lessening of confidence in Western Civilization, or what remains of it. It helped to prepare the way for a different scenario, although it may be no more substantial than was the Third World.

Next: 29. *The Cold War: Coexistence, Detente, and Convergence.*

—FOOTNOTES—

[1]Forrest McDonald, Leslie E. Decker and Thomas P. Govan, *The Last Best Hope: A History of the United States* (Reading, Mass.: Addison Wesley, 1972), p. 950.

[2]See Ignacy Sachs, *The Discovery of The Third World* (Cambridge, Mass.: MIT Press, 1976), p. xi.

[3]Arthur J. May, *Europe Since 1939* (New York: Holt, Rinehart and Winston, 1966), p. 435.

[4]Erik von Kuehnelt-Leddihn, *Leftism* (New Rochelle, N.Y.: Arlington House, 1974), pp. 78-83.

[5]*Ibid.*, pp. 107-08.

[6]Sachs, *op. cit.*, p. xi.

[7]May, *op. cit.*, p. 368.

[8]Franklin L. Baumer, ed., *Main Currents of Western Thought* (New York: Alfred A. Knopf, 1964), p. 712.

[9]May, *op. cit.*, p. 430.

[10]Leo Paul de Alvarez, "Imperialism: The Threat to Existence," *The Intercollegiate Review*, II (March-April, 1966), p. 312.

[11]Thomas Molnar, "Neo-Colonialism in Africa?" *Modern Age*, IX (Spring 1965), p. 178.

[12]Robert S. Walters, *American and Soviet Aid* (Pittsburgh: University of Pittsburgh Press, 1970), pp. 29-30.

[13]Joseph Schiebel, "Convergence or Confrontation?" *The Intercollegiate Review*, V (Winter, 1968-69), p. 110.

[14]I. Kapranov, "The USSR and Industrial Development of Newly Free States," in *Internationalism, National Liberation and Our Epoch* (Moscow: Novosti Press Agency, n. d.), p. 104.

[15]Leo Tansky, *U.S. and U.S.S.R. Aid to Developing Countries* (New York: Frederick A. Praeger, 1967), p. vi.

[16]John F. Cooper, *China's Foreign Aid* (Lexington, Mass.: D.C. Heath, 1976), p. 1.

[17]Pierre Jalée, *The Pillage of the Third World* (New York: Monthly Review Press, 1968), p. 110.

[18]William H. Chamberlin, "Communism in Disarray," *Modern Age*, IX (Spring 1965), p. 192.

[19]Boris Meissner, "World Communism: Decay or Differentiation," *Modern Age*, IX (Summer 1965), p. 244.

[20]See de Alvarez, *op. cit.*, p. 312.

[21]See Sachs, *The Discovery of the Third World, op. cit., passim*, and especially the concluding chapter.

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Dennis Bechara

The Costs of Occupational Licensing

THE PURPOSES that guide the enactment of interventionist policies help us understand the reasoning behind them. However, in testing the economic effects of a law, one must look beyond the laudable intentions set forth in the preamble.

Occupational licensing requirements have traditionally been based on the desire for good services. The argument runs somewhat like this. If the government establishes certain schooling and training requirements which must be fulfilled in order to enter an occupation, then every licensed individual will at least be competent and the public interest will be served.

The argument presupposes that the government is able to set objective standards whose validity cannot be disputed. The fallacy of this argument is apparent. Consumers set the standards they wish as they patronize providers of goods and services. The competence and general ability of a producer are reflected in his product. Consumers have individualized needs which cannot easily be cast in a mold defined by the government.

It is possible that the particular standards required by the state may be acceptable to many users of these services. But if that is the case, those standards would be required anyway by the consumers in an unregulated environment. If, on the other hand, the required standards are not desired by the majority of the users of these services, the justification for imposing them evaporates.

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The popularity of licensing is understandably high among the members of the licensed occupations. A clear implication of licensing is that in order to be a member in good standing of a profession or a craft, one must take prescribed courses of study and pass what the government deems to be an appropriate test. Satisfying these requirements means that society will regard the members of that occupation as a responsible and intelligent group. Advocating the elimination of licensing, on the other hand, carries with it the implication that these standards were really not valid and furthermore that anyone will be able to practice the occupation in question with impunity. The issue is not one of standards versus no standards; rather it is a question of who shall impose these requirements. Should it be the providers of the service, acting through a governmental agency, or should it be the consumers?

Restricting the Supply

Licensing affects consumers in various ways. Perhaps the most important economic effect of licensing is that it restricts the supply of the providers of services. To a casual observer, this assertion may not seem to be supported by the evidence. It may be said that, in spite of occupational licensing requirements, many people are nevertheless attracted to these fields. However, licensing is but one of the factors affecting the economy. It is possible that one industry is growing and that resources are being allocated in that direction. If that industry needs people who are required to be licensed, the rising demand will attract them, no matter that licensing may have prevented some people from entering the field previously.

It should be no surprise that occupational licensing limits the supply of available practitioners. The very purpose of licensing is to eliminate those who cannot satisfy the requirements. The irony of the matter is that the particular profession or trade, which has an inherent interest in restricting competition, has a decisive influence on the definition of these standards. The argument is that those who know what an occupation truly needs are those who practice it. The conflict of interest which surfaces as the regulators govern themselves weakens the concept that the government can truly set objective standards.

As supply is restricted, economics tells us that the price of the good in question must increase, other things being equal. This increase in price may reduce some of the demand, or conversely, the demand for other goods and services may be curtailed. Applying these economic tenets to occupational licensing, the long run effect will be to increase the earn-

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ings of the licensed occupations. This is a monopoly situation, made possible by government regulation. Consumers will have to pay a higher price for the services that they desire.

Of course, people who can afford high quality services will continue to obtain them; those who can afford more modest services may discover that they might have to either forgo the services altogether, dip into their savings, or redirect their demand for other goods and services. It is conceivable that many people who are reluctant to pay a licensed plumber or electrician what they consider to be an exorbitant amount of money, may choose to do the work themselves. In an economy served by the principle of the division of labor, this self-help lowers productivity when non-specialists do the work that otherwise would have been performed by the specialists.

As the licensed occupations reap higher incomes because of the restricted supply, in the long run the prospect of additional income will attract more people into the field. This will expand the supply and lower the costs to the consumers. This development represents a readjustment in the economy, but does not remedy the defects of licensing. The very existence of licensing is costly to consumers because it restricts entry.

The nature of the practice of an occupation is altered by the licensing. Standards require that the prescribed training follow certain patterns, though such requirements may serve little purpose in some branches of the craft or profession. Many people who would have been attracted to an occupation may be discouraged from doing so because of the additional costs involved in satisfying these standards. Similarly, consultants who could specialize in narrow areas of an occupation without the need to be trained in broader areas, are discouraged from doing so. The result is that every licensed individual does receive a broad education, but many consumers will not be able to utilize his costly services.

Prohibiting Competition

A hidden cost of licensing lies in the fact that those who are attracted to the licensed trade—because of the monopoly earnings—might otherwise have opted for different crafts or professions. So it is difficult to say that consumers are benefited by the increase in people entering the licensed occupations. Licensing standards, however, do more than merely set entry conditions; as more people desire to enter the field, the regulatory bodies institute additional standards and requirements that serve either to further limit the supply or to prohibit competition.

Entrance examinations become

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more difficult as they encompass more topics. This tends to eliminate many applicants. Similarly, continuing educational requirements are sometimes enacted to assure that those who have been licensed maintain a given level of quality. In California, for example, dentists are required to pass an examination that requires the performance of a rarely-practiced procedure in gold-fillings. California dental schools prepare their students for this aspect of the examination, which dentists trained outside the state find difficult to pass. (See "How licensing hurts consumers," *Business Week*, November 28, 1977, p. 127.)

Residence requirements reduce the supply, as they discourage people who would be willing to practice in different states. By the same token, the prospect of having to take an admissions examination in a different state may discourage many people, particularly the older practitioners. Reciprocity between the states serves to alleviate this additional discouragement, mitigating one of the effects of licensing.

The proponents of licensing find it difficult to define the limits of its applicability. Most proponents are in agreement that some professions ought to be licensed. However, as we enter the area of skills and crafts, support for licensing these is not as clear; there is scant support for licensing the nonspecialized fields. The ideology which nourishes licensing seems to say that the more education and preparation it takes to enter a field, the greater the case for licensing. This argument does not withstand logical analysis. If more education is required for a person to be a member of a profession, then the danger of entry by incompetents is considerably reduced. A person must pass many stages before being able to enter that profession, and this should be indicative that the individual is adequately prepared to practice in that field. If that is the case, licensing is superfluous. Besides, the fact that licensing exists is no guarantee that unqualified people will not practice the occupation. The existence of malpractice suits attests to this.

The Other Side of Licensing

If the fear of incompetents were the motivating factor behind licensing, then if we follow the logic of the proponents of licensing, all nonskilled laborers should be forced to satisfy certain requirements. The licensing of unskilled workers is indeed taking place today, although it is being performed under a different label. As minimum wage laws are enacted, those unskilled employees who cannot produce as much as the law says they should be paid become unemployed. Minimum wages, and union restrictions as protected by the law, are the other side of licens-

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ing. Both, however, have the same general effect: to lower supply, raise prices and reduce output.

The proponents of licensing cannot answer the inconsistency of their position. They recommend licensing because consumers allegedly cannot adequately judge the quality of some professional or skilled services. But, in an economy where everyone is interdependent, everyone is a specialist and it may be asserted that no one can properly assess the services provided by others. There is no logical line, which may be drawn between licensed and unlicensed occupations, which conclusively justifies licensing. Rather, consumers will be better served in an unregulated environment as competition serves to protect them.

The assurance of quality services does not depend upon occupational licensing. If a person represents to others that he has certain skills which he in fact does not possess, equity considerations should continue to apply and he will be held responsible for any damages inflicted as a result of his misrepresentation. The elimination of licensing will not protect those who misrepresent or who commit fraud. An unhampered market will offer consumers a variety of services of varying quality. The uniformity imposed on consumers by licensing requirements will be erased when licensing is eliminated, and practitioners will have to adjust to the ever-changing demands of consumers. And this is as it should be for free men in a free market.

IDEAS ON LIBERTY

Competition, Monopoly, and the Role of Government

In the free society government keeps the peace, protects private property, and enforces contracts. Government must do these things effectively, and it must do nothing else; otherwise, the conditions absolutely necessary to genuine personal freedom in society are absent. Whether or not a genuinely free society is attainable no mortal man can know; the limits of our knowledge are too narrow. But one thing we do know: that until at least the advocates of the free society are fully aware of the conditions necessary to its existence, it can never come about. For they must ever be on guard against new movements, ideas, and principles which would endanger its realization. And on the other hand, they must be sharply aware of existing impediments so that they may direct their energies intelligently to the removal of the causes of current imperfections.

SYLVESTER PETRO

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W. Earl Douglas

The "Roots" of the Free Market

An Order Born of Discipline

MANY black Americans have been mired in a form of economic stagnation since the passage of the Civil Rights Act. Among those whose thought processes are geared to mere rhetoric there is a loud clamor for more welfarism. There are many reasons, to be sure, for this apparent reluctance by blacks to seek their pursuit of dignity within the free market system rather than without it. Primarily, however, the blame must be laid at the feet of a leadership more intent on immediate political responses to age-old problems than providing any meaningful economic solutions. Thus, and the truth is an awesome taskmaster, most blacks have simply accepted the state, with its hordes of paternalistic programs, as their new Messiah.

There are many problems afflicting the black communities—housing, education, health care, crime and unemployment—but no real effort has been made to resolve them apart from the programs of government. In fact, it would be extremely difficult to find many blacks willing to undertake the effort, on their own and without financial assistance from outside their community. The "bootstrap" concept, where the disadvantaged were to be provided the means to resolve their problems has been replaced with the feeling that the means now constitute the end. Consequently, the programs of the state, all of them, are now viewed by most blacks as the

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Mr. Douglas, a southern journalist and civic leader, urges his fellow black Americans to seek their freedom and dignity within the market system.

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ultimate end. Additionally, of course, such an attitude provides for the perpetuation of the programs.

Conditioned to State Help

The reason for this black attitude of resignation, where such programs are concerned, is that many blacks have been conditioned by their leadership and the state to seek all of their answers from the state. That such reasoning tends to create dependence, rather than the independence ostensibly sought, is a situation to which a few blacks are beginning to awaken.

This fact was brought home to me through an acquaintance, formerly a left winger, a black, who preached the gospel of liberalism and government solutions to black ills. As a ranking member of the liberal element of a major political party, he had worked at a salary of $10,000 a year. When a job opening in the private sector at double his existing salary was offered to him, he did not hesitate to accept it, gleefully announcing his good fortune to all within his hearing.

Several months later we happened to meet and his apparent lack of spirit prompted my asking why he seemed so downcast. His response was a lecture on the merits of fiscal conservatism. After advising me that his 100 per cent increase in salary had only provided him with a few extra dollars in spendable income, he launched into a vicious attack on the system of taxation, the idiocy of social security and a condemnation of a government that would make the productive pay for the upkeep of the unproductive. My acquaintance had become one of the middle class victims of the welfare state.

It is noteworthy, therefore, that the black economic middle class is expanding at an unprecedented rate, while unemployment of the black lower class is in a corresponding upward spiral. More and more blacks are attaining higher paying positions in government, while affirmative action programs are opening (if that be the correct definition) many middle management positions to blacks. Whatever their route to that economic middle class, the fact is that a larger percentage of blacks are beginning to learn the price they must pay for those of their race who do not produce what is essential to their own survival. Consequently, many of the black economic middle class are more adamantly opposed to social welfarism than some members of other ethnic groups.

Learning about the real travails of taxation, the retrogressive effect of government intervention in their lives, and how both act as barriers to the long sought dignity and independence, is not the kind of knowledge dispensed in public schools. Thus, for the great majority of

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blacks, there is an element lacking in their learning experience. Where, for example, does a product of the black ghetto go to acquire truthful information about the free market system or, for that matter, the American economic system? There may be some versions of it available at a few of the black colleges and universities, but it is usually editorialized rather than a truthful presentation of what the system is all about.

It is all too easy to thus categorize that black ghetto inhabitant as "disadvantaged," because such knowledge is not available in the ghetto, but then we are inadvertently suggesting that another government program be inaugurated for the purpose of promoting such knowledge. However, to equate being disadvantaged with failure to reach out for knowledge essential to one's own survival, is to contend that logic is an enemy of reason.

Technology Highly Prized

Recent events reveal some interesting developments concerning capitalism and the free market. American technology is probably the most sought after product on earth, even more so than the oil from its bowels. Some nations desire to purchase it, while others contend that it should be given them in compliance with their "human rights." Such is the hue and cry of the economic Third and Fourth World. Yet the difference between those so-called disadvantaged nations and the industrialized nations, in terms of the standard of living of their inhabitants, can only be attributed to a technology that is an outgrowth of a free market. The reason for that result, however, is to be found in quite another direction.

The foundation for the free market may justly be defined as entrepreneurial freedom. But, the market and entrepreneurial freedom are dependent on what must be described as order—a societal order, which is born out of discipline.

This fact is brought into focus by Japan and Germany, our two primary military enemies during World War II. The huge financial investment by America in those two nations, following the war, has paid handsome dividends to both the investors and recipients. Race, the principal theme of this thesis, cannot be truthfully cited as a factor in that investment, because Japan is a nation of non-whites. Prior to their military defeat both of those nations had attained significant military strength, with enviable breakthroughs in new technology. In fact, America utilized the Germans' advancement in atomic fission to ultimately defeat the Japanese.

Of more importance, however, than the ability of those two nations to wage war and devise new

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methods and weapons in the process is the order to be found in their respective societies. Again, an order born out of discipline. Order, therefore, is the most important prerequisite to the proper functioning of the free market system. Disorder or chaos is not conducive to production and trade.

Inadvertently, therefore, we have not only attained an answer as to why the ghetto remains a ghetto and why many nations of the world cannot respond to the abundance of wealth available to them and their peoples. We also have the basis for the selectivity of the investor. For isn't it the stable, orderly organization of business, within an orderly nation, that is sought by the investor?

Dependability and Responsibility

It can be reasoned, therefore, that dependability and responsibility, two by-products of discipline, are far more important in the scheme of things than are those "human rights" presented in lieu thereof by the state.

Pointing out the differences in the order and stability of blacks in comparison to others may win no friends, but it is essential to an exposure to the truth. Germany and Japan, as examples, have among the lowest crime rates of any nations on earth. Jointly, although their combined population is seven times that of black America, their incidence of crime is one-seventh that of black America.

And when we examine those nations of the world most mired in poverty, we discover the same phenomenon of crime and disorder, with the unemployment rates of those nations in parallel with the black communities of America. But who will invest in disorder and chaos except government? No thinking traders in the free market would gamble their money in such a fashion, or place the money of their investors in jeopardy as does our government with the proceeds of its taxpayers.

Since 1954 all governments of America, federal, state and local, have invested (if that not be a prostitution of the term) over 1 trillion dollars in social programs of one kind or another. It is significant that this sum exceeds the total private and public post war investment by Americans in both Germany and Japan.

The question then arises, and one which should be directed to the liberal black and white leadership of this nation, why did not America invest in its 18 million plus black Americans, instead of in foreign nations, formerly our military enemies? Once again, the pertinacious factors of order and discipline are thrust to the forefront.

Without endeavoring to plumb

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the ideological aspects of President Carter's opening of diplomatic relations with the People's Republic of China, the move does raise several important issues concerning our free market system. First, and foremost, the establishment of diplomatic relations opens to the American business community the single largest body of potential consumers on earth. But why, when it is classified as communist, possessing the ideological traits intimated by its official designation, would that nation seek the modernization inherent to Western technology? The answer is rather obvious, for the industrial West and Japan have proven the free market system to be superior to all others in providing the quality of lifestyle sought by all peoples of this earth. Red China, then, gazes at its neighbor, Japan, with unquestioned envy.

Chinese Interest in Capitalism

China has openly solicited the wares of the free market, admitting in the process its desire for our technology, thus turning away from the commune style of existence under communism and seeking a logical route out of its dilemma of poverty. What this move should point out to the adherents of socialism and Marxism, regardless of their ethnic persuasion, is most evident.

If the most populous nation on earth with four and one half times the population of the U.S., brings into question the concept of the state controlling the means of production by openly flaunting their desire for the technology of the free market system, then it is certainly time for many Americans to reconsider their thoughtless journey away from the system which has made its participants the envy of the world.

The here and now must be considered the most opportune in the history of humankind for black Americans to learn an appreciation for, and to participate in, the greatest system ever devised for rewarding human achievement. The world is now the marketplace for American ingenuity, technological know-how and productive ability, with the outlook never brighter for those willing to submit to the order and discipline essential for participation in that system.

It cannot be concluded, however, that black Americans will automatically disengage themselves from civil, legal and human rights in favor of dignity through individual independence. Before the change there must come an understanding of the merits of those freedoms inherent in the free market.

The Earning of Freedom

To elucidate, providing an excellent example of freedoms where black Americans are concerned, is to

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cite a historical fact that is even shunned by many historians. Emancipation and manumission have been regarded, even by Webster, as synonymous. They are not. Emancipation was a proclamation of government, a legal mandate resulting from the military defeat of the South in a war. The first act of that government was the establishment of the Freedman's Bureau (not its official designation) to provide the kind of paternalism which has been the curse of black Americans since the close of that war.

Manumission, on the other hand, which was covered by state law in most of the states of the Old Confederacy, stipulated that the slave so freed was free to take care of his own needs, and make those decisions within the law essential to his own welfare; in other words, to enjoy the freedom of independence from the paternalism of his former slavemaster. It is significant that the beneficiaries of manumission for the most part earned that freedom by purchasing it.

The purpose of this comparison is to cite the need for true independence as compared to that proposed by government, the kind without responsibility. For while true independence prepares one for entry to the free market as a participant, the other does not.

Entry to the Market

To disclose the merits of freedom to a black American, whose views of freedom are primarily centered around "doing his own thing," it is first necessary to define that "thing." The most formidable barrier to true freedom for black Americans is their failure to understand what such freedom is all about. Not only what it means, but what it requires in terms of personal responsibility to maintain true freedom. Thus, while education, in general terms at least, has soared in black America, with more blacks now graduating from institutions of higher learning than at any time in history, little of that education, from the elementary type forward, deals with true freedom of the free market.

The fact is that most blacks live in America without fully appreciating the America in which they live. The primary reason is lack of educational exposure to the true concept of freedom—an entry to the free market system in a meaningful way, which makes all the rest possible, plus an understanding that the order of discipline is essential to the maintenance of that system. And the primary lesson to be learned by all peoples of the world is that race plays no significant role in the establishment of order.

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Donald B. Billings

The World Economy at the Crossroad

IN MAY of 1974 the General Assembly of the United Nations adopted a monumental *Declaration and Action Programme on the Establishment of a New International Economic Order*. The great majority of the voting members of the United Nations

> solemnly proclaim(ed) our united determination to work urgently for the establishment of a new international economic order based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations.[1]

The Declaration went on to proclaim: "It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order."

Later that same year the demand for the new order was followed with the adoption of a *Charter of Economic Rights and Duties of States* which, among other provisions, would establish the right of a country to expropriate foreign owners and institute the right to form cartel or monopoly producer associations among the commodity exporting countries, ventures similar to the already famous oil cartel—the Organization of Petroleum Exporting Countries (OPEC).

This apparently distant and therefore unimportant event in the lives of most Americans deserves greater attention in the United

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States than it has to this point received. As many continue to remind us, we live in an increasingly interdependent world. Current trends and recent declarations are bound to shape the future in ways that are not presently understood. What are some of the more important implications of the proposed radical restructuring of the international market economy?

"The Rights of Englishmen"

The central purpose of this short essay involves a reminder of a precious legacy—the heritage of what Kingman Brewster, former President of Yale University, has called "The Rights of Englishmen." These rights include the sanctity of the individual and his property, the freedom of contract, the rule of law, and in general the "system of natural liberty" so enthusiastically endorsed by John Locke, Adam Smith and the founding fathers and architects of our free market order two hundred years ago.

It is my contention that the New International Economic Order would not be an "order" at all, but would indeed be, according to one economist, "an experiment in the rule of the jungle—a rule modified by the hope that the largest and most savage carnivores will be so ashamed of their present existence by virtue of the killing and eating successes of their ancestors that they will offer themselves up as willing sacrifices to the hundreds of smaller fry."[2] This rule of the jungle is not the rule of law which has evolved through trial and error over countless centuries from the common law and the Anglo-Saxon tradition.

The inspiration for the "Program of Action" to implement a New International Economic Order has been shaped largely by a radical, Marxist critique of the international capitalist system. International imperialism and dependency—cornerstones of the existing international economic system, so the argument goes—are said to be the causes of underdevelopment. As one radical writer has voiced the argument, the capitalistic system, with its giant multinational corporations:

> maintains and intensifies the system of dependency and misery that now characterizes our world economy and accounts for so much of its difficulties and injustices. To overcome these evils, a system of independent socialist countries is needed in which information and technology flows freely between countries, but capital, i.e., power, does not.[3]

In essence the developing countries want a redistribution of power from the more advanced nations to the currently less developed countries. And as a matter of fact, the developed countries "should not merely tolerate but police the process of . . . extortion"[4] which is to

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take place through the creation of commodity cartels and unilateral processes or expropriation. The demand by the developing countries for "full permanent sovereignty" entails a demand for the right to unilaterally abrogate contracts. Or, put another way, the law of the jungle is O.K. for the presently poor, but the rule of law should continue to apply to the more advanced countries.

The Engine of Growth

The great tragedy in all this rhetoric on the injustices of the international economic system is that it deflects attention from the fundamental sources of economic transformation and change. Economic development is fundamentally and overwhelmingly a matter of the attitudes, social institutions and motivations, and therefore of domestic origin. It is a question of the structure of incentives confronting individuals, of the social milieu in which human beings are free and encouraged to develop their talents and seek their fortunes. Economic development in past centuries has been the rule in those societies which have relied largely on a system of private property and freedom of contract and exchange. Even Karl Marx was unequivocal on this point—capitalism was and is a great engine of economic growth.

What, then, are the principal ingredients in this "Program of Action" for the implementation of the New International Economic Order—proposals which would so drastically alter the international economic environment?

First, the new order would facilitate and encourage the formation of international producer associations —commodity cartels, monopolies, like the OPEC oil cartel—in order to *transfer* wealth from the rich to the poor. Again, the developed nations would be expected to support and encourage the formation of these monopoly ventures.

Second, the development of international commodity agreements would be brought about in order to both reduce the fluctuations in earnings from their export efforts *and* to increase the flow of income and wealth to countries exporting raw materials and commodities. These transfers, however, would require prices above long-run free market prices and therefore bring into being direct confrontations between producing (exporting) and consuming countries. Furthermore, there is little evidence that economic development has been retarded by fluctuations in the exports of the developing countries.

It seems doubtful that international commodity agreements can make any significant contribution to the development efforts of the less

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developed nations. A less obvious problem with these commodity agreements, but of crucial importance for the free market order, is the expansion of the role of political competition at the expense of market competition in the allocation and distribution of the world's resources.

A third demand on the part of the less developed countries is to increase the flow of financial resources to the developing countries on concessionary terms. The expanded foreign aid flows would include a reduction in the burden of the repayment obligations on previously accumulated debt obligations to the developed world. On this point, suffice it to say that these demands for greater aid are supported by the presumed guilt feelings borne by the currently well-off nations for past sins of colonialism, imperialism, and exploitation—all catch words in the radical literature on this subject.

The Crutch of Foreign Aid

Once again, however, the fact must be faced that economic growth and development is not importantly a function of the volume of foreign assistance. P. T. Bauer in his book, *Dissent on Development,* provides logical and empirical refutation of the external constraint dogma so popular in many circles.[5] Furthermore, let us note that in the post-World War II period U.S. foreign aid flows have had relatively little to do with economic development for the poor of the world, but have been associated with an interventionist foreign policy designed to encircle the Soviet Union and (at least until recently) to encircle China.

The demand for preferential access to the markets of the high income countries for the processed and manufactured exports of the developing economies is a fourth important component of the New International Economic Order. The modernization and diversification of the less developed countries depends crucially, according to this argument, on the expansion of manufactured exports by the currently poor countries. Once again, unfortunately, attention is deflected from the fundamental source of progress—changes in domestic attitudes and institutions.

Most of the high income nations of the world currently have a Generalized System of Preferences in favor of the tariff-free entry of manufactured goods from the less developed countries. The U.S. Trade Act of 1974 provides for the duty-free entry into the United States of manufactured goods from more than eighty developing economies. The problem here is that the exemption list under the U.S. law essentially comprises the very kinds of goods in which the poor nations do have a comparative advantage (e.g., tex-

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tiles, shoes, and the like). Here the proponents of the Declaration are right for the wrong reason. The United States should favor free trade because it allows us to obtain goods cheaper than they can be obtained out of domestic resources.

Free Trade Generally

The contribution to world economic development can be made by the general pursuit of free trade without regard to particular sources. The presumption by the advocates of the New International Economic Order that free trade has been at fault ignores the significant impediments that the world currently imposes on the flow of goods across national boundaries. As one economist has said, "The NIEO policy would rest upon the dubious assertion that nonexistent free international trade is a culprit rather than a needed remedy."[8]

However, as the sugar, steel and electronic consumer goods issues unfortunately testify, the people of the United States have yet to recognize the advantages of specialization and free trade so profoundly demonstrated in the intellectual refutation of mercantilist doctrines two centuries ago.

Finally, a crucial ingredient in the demands of the developing countries of the world is the implementation of an "International Code of Conduct" for the multinational enterprise which has come to be such an important force on the international economic scene. In contrast to the Organization of Economic Cooperation and Development (OECD), an association of developed countries which looks to equal treatment of domestic and foreign corporations in host country markets, the less developed countries of the United Nations' Declaration would legalize and encourage the expropriation of property and the unilateral abrogation of contracts—a far cry from the enforcement of contracts under the rule of law.

It is asserted that the multinational corporation has kept "sovereignty at bay" as the giant enterprises blackmail the poor countries. However, it is simply not the case. The realities in recent years have been just the opposite. The State, even when small, has maintained firm control. Witness the ways in which the large petroleum firms do the bidding of the OPEC cartel members. Look at the treatment and terms exacted from U.S. multinationals by our neighbors, Canada and Mexico.

Despite the radical rhetoric to the contrary, as Walter Wriston of the First National City Bank of New York has said, "The reason for optimism about the future of the world corporation rests on the solid base that it is the best way that has yet been found to organize our society to

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give it the optimum chance of supplying the needs of mankind in an increasingly crowded world."[7] And I might add that this role for the multinational enterprise should take place in a world in which the State, in all countries, would *not* be an instrument of the merchant class; efficiency and competition would be the relevant criteria.

Political Conflict

In summary, the "Program of Action" under the Declaration for a New International Economic Order involves a political confrontation between a small group of high income countries and a much larger group of relatively poor countries. It would displace the world economy predicated on market transactions through voluntary exchange with a managed international economic system relying on political competition and the State's monopoly use of force and coercion. Assertions and expressions of guilt for past sins by the currently developed nations would be the rallying cry for the implementation of this rule of the jungle.

Much of the political pull and tug would take place through the bureaucracy of the United Nations—an independent force to be reckoned with on the world economic scene. As one student of the subject has noted, "The demand for a New International Economic Order is to an important extent a demand for greater power for these international bureaucrats, disguised as a demand for more justice for the ordinary people of the developing countries."[8]

Relations between the so-called developed countries and the less developed countries are sure to hold center stage in the deliberations on the nature and evolution of the international economic system for years to come. The United States is likely to find that a responsibility for international order will be thrust upon it, for better or worse. In a very fundamental sense we are in a war over ideas and therefore the minds of people the world over. It is simply a continuation of the age-old battle between two ideas which have dominated thinking on economic and social matters for centuries. One is the idea associated with the importance of the individual, private property, voluntary exchange and the rule of law; the other is the notion that economic activity "is or should be the chosen instrument of the State."[9]

The central issue facing the people of this planet has been characterized by the Nobel Prize winning economist Friedrich A. Hayek: "Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imag-

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ination of our liveliest minds, the prospects of freedom are indeed dark." Fortunately, the free market order and its international extension has something going for it—the enormous accomplishments in the past and the potential for the future in the generation of wealth, prosperity and the promotion of individual freedom. The enemies of freedom, be they socialist planners, international bureaucrats, misguided but well-meaning do-gooders, and indeed the State itself, must deal with these demonstrable realities.

There is no call or need for a new international economic order which would relegate the rule of law to the back burner and emphasize political rule of the jungle; which would encourage the transfer of wealth instead of its creation; which would have the state expropriate property instead of enforce private property rights. The "Rights of Englishmen" are on the line. The "system of natural liberty"—private property and individual freedom—should take the offensive. The current demand for a new international economic order with these coercive and extra-legal characteristics deserves to be fought and rejected by all those who value the freedom and sanctity of the individual and his property.

—FOOTNOTES—

[1]United Nations General Assembly Resolutions 3201 (S-VI) and 3202 (S-VI) (May 1, 1974) cited in Franklin R. Root, *International Trade and Investment,* Fourth Edition, Southwestern Publishing Company, 1978, p. 432.

[2]Harry G. Johnson, *The New International Economic Order,* Selected Papers, No. 49, Graduate School of Business, University of Chicago, October 5, 1976, p. 6.

[3]Stephen Hymer in a written statement before The Group of Eminent Persons to Study the Impact of Multinational Corporations on Development and International Relations, cited in Root, p. 437.

[4]Johnson, *op. cit.*

[5]P. T. Bauer, *Dissent on Development,* revised edition, Harvard University Press, 1976.

[6]Martin Bronfenbrenner, "An Old Reactionary Free Trader on the New International Economic Order," *Nebraska Journal of Economics and Business,* Vol. 16 (1977), pp. 5-18.

[7]Walter Wriston, *People, Politics and Productivity: The World Corporation in the 1970's,* Citicorp, New York, September 15, 1976.

[8]Johnson, *op. cit.,* p. 16.

[9]Wriston, *op. cit.*

IDEAS ON LIBERTY

The Importance of Saving

ALTHOUGH assistance from abroad can help a country grow economically, such assistance does not excuse that country from the onerous chore of saving. Outside aid can supplement domestic saving but cannot supplant it.

WILLIAM R. ALLEN, "Saving, Foreign Aid, and Growth"

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James C. Patrick

A BETTER WORLD

THERE is one sure way that you can help make the world a better place in 1979. This is to concentrate on improving yourself.

Obviously a lot of people think they could improve the world by forcing their ideas on others. Springfield and Washington are full of such people—people who want to compel others to do things their way.

Every time you hear somebody say, "There ought to be a law," they are actually saying, "People ought to be compelled do to things my way."

In the final analysis, that is what politics is all about. It is a way of deciding who is going to exercise power over others—of deciding whose ideas shall prevail.

It is undoubtedly true that some people have better ideas than others—at times. But at different times, those "others" may have the better ideas.

One problem with trying to force our ideas on others is that they have ideas of their own as to what they want to do and how they want to do it. This is one way conflicts arise.

When you concentrate on self-improvement, there is little risk of conflict. And you may even achieve the position where others will imitate your example voluntarily.

How do you go about self-improvement? Well, that is for you to decide. One person might sign up for a class in some challenging subject. Others could begin an exercise program or start reading some mind-expanding material. Many could probably find guidance at a church or temple.

Concentration on self-improvement could both decrease the causes of conflict and produce better individuals. Then the world would be a better place, by that much, and 1979 a better year.

Mr. Patrick holds a Master of Divinity degree from Yale and has filled many lay offices as a churchman. A former chamber of commerce executive, he now is an officer in a group of small-town banks in Illinois. The message here is from his broadcast of January 2, 1979 as a volunteer commentator, radio WSOY, Decatur, Illinois.

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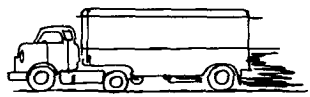
John Semmens

DEREGULATION OF TRUCKING



WITH increasing frequency, regulatory matters have been entering into discussions of national economic policy, and for good reason. As the nation has become more concerned with inflation and its impact upon economic growth, any option which promises some hope of reducing the cost of providing basic services is a prime candidate for serious consideration.

The potential cost savings that could be achieved through regulatory reform are substantial. All told, current government regulation of business is resulting in an annual burden of $100 billion.[1] The great bulk of this cost is caused by inefficiencies imposed by regulatory constraints. These costs are not merely transfer payments. It is not as if the money is being shifted from one pocket to another. Instead these costs are described as deadweight losses.

In transportation the regulatory burden has been estimated at $10 billion or more per year. Typical incidents include truckers' empty backhauls, circuitous routing, and unnecessary extra freight handling (and sometimes mishandling) due to regulatory policies and procedures. The waste is comprised of unnecessarily burned fuel, needless wear and tear on equipment, and unproductive use of the time consumed by operations personnel. Not included is the additional consumption of management's time in coping with the complex rules and procedures of the regulatory establishment.

Not surprisingly, the revelation of the enormous potential savings from deregulation has inspired a rising groundswell of opinion in favor of such a move. Among academic economists the consensus is virtu-

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ally unanimous, and has been for the last decade, that at least some deregulation is necessary. While lawmakers have been somewhat slower to change their minds, recent stirrings in the direction of deregulation have been observed.

In 1976 the Railroad Revitalization and Regulatory Reform Act offered some minor reforms in surface transport regulation. The bill allows some flexibility in rate making over what had been the rule to this point. In November of 1977, H.R. 6010 was passed and signed into law making entry into the air cargo industry virtually unrestricted as well as giving operators wide discretion in setting rates. The recently passed Kennedy-Cannon bill on airline deregulation allows greater price competition, limited automatic entry of new routes by existing carriers, and significantly relaxed entry requirements for new applicants.

Now that airline regulatory reform is accomplished, Congress is expected to take up the issue of motor transport regulation. The trend seems clearly to be toward more deregulation.

Why Regulation?

The traditional explanation of the motive for government regulation of transportation has been that it is necessary to correct the imperfections of the free market. Theoretically, the regulators would step in to insure that the public would not be victimized by a predatory industry. In practice, regulation has not worked this way. The old myths die hard, though, and regulation as a protector of the consumer is almost an article of faith. Perhaps it is significant that while the rest of society is "enjoying" the "protection" of regulation in motor carriage, a staff task force recommendation to the ICC urged that U.S. government shipments be subject to unrestricted competition among common carriers.[2]

A growing number of economic studies of regulation have come to the conclusion that this system is a burden upon society. The question must persist, then why must regulation continue? Why can't we do away with it? There is the continuing vitality of the myth of consumer protection. But such a myth does not survive on its own. It must be nurtured and propagated. Who would do such a thing? What would be the motive?

Economist George Stigler has suggested that a good working hypothesis is that regulation is promoted by a relatively small group of beneficiaries whose individual stake in the system is much larger than the individual stakes of the more numerous victims of the system.[3] These few beneficiaries are able to collectively induce the government to enforce policies benefi-

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cial to themselves. Their individually larger stakes enable them to outbid opponents and to "purchase" a regulatory system from the Government.[4]

The current state of affairs is economically wasteful. It wastes fuel on needless motion caused by regulatory restrictions. It wastes capital tied up in excess capacity both in private and common carrier equipment. It wastes the irreplaceable time of individuals in unnecessary travel, in the regulatory agency itself, and in the time consumed in learning a complex compilation of do's and don't's in the provision of transportation services. Unmeasured social costs of the regulatory scheme include contributions to increased traffic congestion and pollution as well as an indeterminable amount of opportunity cost in other benefits that have been forgone over the years in order to finance the waste inherent in the regulatory process.

Perhaps the most important discovery to be made is that the mere selection of "better" regulators is no way out of the current difficulties. The problems are fundamental and cannot be attributed to incompetent or corrupt regulators. No matter how well qualified or carefully chosen any future regulators might be, no improvement can be expected unless crucial changes in the system are made.

As a minimum of reform, two aspects of the current system must be dealt with. First, the restrictions on entry must be eliminated. Second, the imposition of price controls must be discarded.

Strong, entrenched transportation lobbies have stood in opposition to any reforms which would dilute their monopoly powers. The major arguments used to prevent deregulation include: (1) that transportation is a natural monopoly, with significant economies of scale, and therefore, service can be provided more cheaply and efficiently if needless competition is banned, (2) that the absence of regulation would lead to chaotic conditions, which would lead in turn to monopoly, (3) that existing carriers have already paid substantial sums for operating rights and it would be unfair to deprive them of the expected monopoly profits without compensation, and (4) that the current system is a known condition and that any change could be a change for the worse.

The Natural Monopoly Argument

The contention that transportation is a natural monopoly has no basis in economic fact. Historically speaking, at one time the railroads may have had some monopolistic characteristics, but even then, prior transport modes were still in existence. Aside from this, conditions

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have changed greatly during the last century. In no way can the railroads be said to monopolize transportation. Quite the contrary, railroads have taken on the aspects of a declining industry. A key component of the changes in transportation has been the construction of a comprehensive network of public highways. There is virtually no place in America that cannot be reached by road. The highway system has, naturally, been a boon to the motor carrier industry.

The critical element of a so-called natural monopoly is ever-increasing economies of scale. This implies large capital investment in fixed assets. There is nothing about the motor carrier industry which is consistent with the requirements of natural monopoly. In fact, economists have found significant diseconomies of scale when annual revenues exceeded $10 million.[5] It is apparent, then, that transportation is not a natural monopoly. The argument that it is seems to rely upon conditions more relevant to the nineteenth century. At best, such an approach is outdated.

The Chaos Argument

The argument that the absence of regulation would lead to chaos is closely tied to the historical circumstances preceding motor carrier regulations. During the Great Depression, business conditions were less than ideal. Bankruptcies occurred with unpleasant frequency. A number of government programs designed to reduce competition and promote a sharing of declining business volume were introduced. The National Recovery Administration set up procedures for price fixing in broad categories of industry. This period also saw the rise of the "fair trade" concept, which allowed manufacturers to fix the prices at which their products could be resold. Rigid controls over agriculture were also adopted during this period.

The passing of the period of depression emergency, combined with a greater appreciation of the impacts of this type of price fixing and output control on the availability and price of consumer goods, has seen the elimination or curtailment of such programs (excepting the recent infatuation with wage and price control as an inflation "cure") in virtually every sphere except transportation. Chaos cannot be said to have prevailed in the deregulated spheres. In fact, the quantity and quality of consumer goods have vastly improved in subsequent years.

There is no reason to anticipate that transportation would prove an exception to this experience. Separate from the strident antideregulation propaganda, regulated motor carriers have privately expressed confidence in their ability to thrive even without regulatory protection.

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They cite their experience, management expertise, financial strength, and the scope of the service they can offer, as the basis of this confidence.[6] We must conclude that the fear of chaos is unsubstantiated and unrealistic as a scenario for a post-deregulation environment.

The Equity Argument

The third major area of argument poses an entirely different problem. The reapers of the monopoly profits may, in many instances, already have sold their special rights. The purchasers may be earning only a normal rate of return after accommodating the capitalized value of the operating right, i.e., future monopoly revenues simply compensate the carrier for the funds expended to obtain the monopoly rights. Deregulation without compensation would constitute a change in the rules—inflicting capital losses on those firms which purchased these operating rights.

While this line of argument has some merit in the question of equity, it is no justification in itself for perpetuation of a system which continues to generate monopoly gains at the expense of consumers. A number of solutions to this dilemma have been suggested. The hard line approach takes the position that no firm is guaranteed against losses from bad investments. The purchase of an operating right would fall into the category of a bad investment. Since management did not correctly anticipate future industry conditions, it must bear the penalty for this lack of foresight, vis-a-vis the evaporation of value of the operating rights.

A second approach has suggested that the government buy all the operating rights from the regulated carriers. Variations of this theme hinge on the valuation of the rights.

A third approach envisions a phased deregulation program. In this way, competition would be gradually increased and the firms would be eased into the new environment. The problem of compensation for operating rights would not be wholly resolved. The costs of regulation would be extended. The major appeal of this proposal is that it is a compromise which attempts to spread the costs of readjustment over time and between producers and consumers.

None of the above solutions is completely satisfactory. Phased deregulation would prove the most costly, with the bill ranging from the current social loss of around $10 billion per year to lesser amounts as the distortions are removed. The longer the transition, the higher the cost. In comparison, outright purchase of the existing operating rights at their current market value could cost over $4 billion.

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The Fear of Change Argument

The last objection to deregulation—the fear of change—is no objection at all. The philosophy of "better the evils you know than those you don't" is contrary to the American spirit of enterprise if it is to be used to block reform of an obviously deficient system. It is true that deregulation would drastically modify the operating environment of regulated transport, but this is the whole point. The general welfare could be improved by changing an operating environment that misallocates resources. Reluctance to make the necessary adjustment is akin to the postponement of surgery to correct a debilitating ailment. The situation can only get worse.

This is not to say that corrective measures would be painless. But the discomfort surely would be milder than proclaimed by proponents of continued regulation. Other jurisdictions have transportation systems with less regulation than ours. In 1954 Australia deregulated its motor carrier industry. Contrary to the prognostications of the pro-regulators, the subsequent turn of events was quite salutary. The resulting competition has not been "destructive." It has not resulted in monopoly. Both truck and rail services have improved. No shortage of capacity has resulted. Shippers have been satisfied and carriers have thrived.[7]

Our standard of judgment for evaluating the transportation industry must not get hung up on a futile pursuit of perfection. There will always be problems with any system. No approach can cover all contingencies. The important consideration is to find a policy that will lead to the best possible results.

The perceived shortcomings of unregulated transport are less costly than regulation. So, let regulation be evaluated as it has performed, not in some idealistic sense in which it can be used to fix the imperfections of the marketplace at no cost to society.

—FOOTNOTES—

[1]Estimate by Murray Weidenbaum of the Center for the Study of American Business, Washington University, St. Louis, Missouri.

[2]*Improving Motor Carrier Entry Regulation* (Washington, D.C.: Interstate Commerce Commission, July 6, 1977).

[3]George Stigler, *The Citizen and the State: Essays on Regulation* (Chicago: University of Chicago Press, 1975).

[4]Sam Peltzman, "Toward a More General Theory of Regulation," *Journal of Law and Economics* (August, 1976).

[5]Richard Klein, *The Cost Structures of the Regulated Trucking Industry* (Washington, D.C.: U.S. Department of Transportation, 1975).

[6]*Evaluation of Potential Changes to Federal Economic Regulations Governing Private Carriage* (Washington, D.C.: U.S. Department of Transportation, December 6, 1974).

[7]James C. Nelson, "The Economic Effects of Transport Deregulation in Australia," *Transportation Journal* (Winter, 1976), pp. 48-71.

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THE SECRET SIX

FROM a libertarian point of view, Otto Scott is America's most exciting contemporary historian and biographer. He has two strings to his bow. With a clear understanding of Albert Jay Nock's distinction between social power and political power, Scott alternates his studies. Part of his writing life is devoted to a critical appraisal of creative business enterprises (see, particularly, his story of the Raytheon company, which developed radar). His "other career," which he pursues with a sense of dutiful but nevertheless exhilarating vengeance, is dedicated to exposing the great "fools of history."

These fools are political types who have led mankind astray by insisting on a "higher law" that has no grounding in human nature. His book on the French revolutionary fanatic Robespierre was a devastating dramatization of what can happen to a country when a politically powerful person assumes that he and he alone has been ordained to define and impose a "general will." The Scott biography of King James I of England was a study of absolutism allied to vice and frivolity that might have cost Britain more if it had not been an island. And now Otto Scott, with his *The Secret Six: John Brown and the Abolitionist Conspiracy* (Times Books, 3 Park Avenue, New York, N.Y., 10016, 375 pp., $15.00), has dared to apply the name of "sacred fool" to the man whose attempt to seize the government arsenal at Harpers Ferry, Virginia, and incite a slave rebellion was one of the prime harbingers of the American Civil War.

John Brown of Osawatomie, Kan-

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John Brown

sas, has been the subject of admiring biographers and the inspiration of one great poem, Stephen Vincent Benet's *John Brown's Body*. Mr. Scott dissents; he calls John Brown a murderer.

Killing and Plunder

The record clearly sustains Mr. Scott. On May 23, 1856, Old John Brown (he always seemed old to his contemporaries) led four of his sons, his son-in-law and two others on a killing expedition along Pottawatomie Creek in what was then called Bleeding Kansas. The Kansas territory was being contested between southern slaveholding sympathizers and northern Free Soilers, but Old Brown, in assuming that he was part of a "northern army" and hence privileged to kill in the name of the Abolitionist "higher law," was in no way concerned in knowing whether his victims were slaveholders or even interested in anything other than pioneering on the plains.

Mr. Scott surmises that one of Old Brown's confused motives was a desire to force a nation into a new pattern by creating terror. Brown claimed a religious sanction for invoking a symbolic vengeance on innocent men and women, but he and his murder party were also interested in loot. They wanted horses, saddles, guns and bowie knives, and they were particularly happy to walk off with a fine grey horse belonging to Dutch Henry, the big cattle dealer of the area.

Old Brown and his party were never brought to justice for five Pottawatomie murders that widowed two women and left behind a number of fatherless children. One reason for the oversight was the disorganized condition of the Kansas territory. But, more importantly, the country as a whole was bemused by the clamor of the sectional issue. The Fifties were the decade of the Dred Scott decision, the caning of the self-righteous Massachusetts Senator Charles Sumner by an outraged South Carolinian, Representative Preston Brooks, and the incendiary controversies of the Boston

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Abolitionists (Garrison, Wendell Phillips et al.) and the southern fire-eaters who wanted secession. The journalists of the time were partisan, and those who wrote for northern papers from Kansas took Old Brown at his own estimate that he was engaged in a highly moral crusade.

Supporting Intellectuals

To Mr. Scott, the real scandal of the whole Brown story was the behavior of the Massachusetts intellectuals. The Concord group was particularly blameworthy for making Brown a hero. Ralph Waldo Emerson excused the Kansas violence by saying "better that a whole generation of men, women and children should pass away by a violent death, than that one word" of the Golden Rule and the Declaration of Independence "should be violated in this country." Henry David Thoreau agreed with Emerson that Brown was a "transcendentalist saint."

The more "liberal" of the Boston clergy echoed the Concord non sequiturs. But the real culprits, as Scott's careful research shows, were the members of the committee he calls the Secret Six. This group was composed of Dr. Samuel Gridley Howe, the Reverend Thomas Wentworth Higginson, the Reverend Theodore Parker, the millionaire Gerit Smith, Franklin B. Sanford, the town antiquarian of Concord, and George Luther Stearns, an idealistic Massachusetts lead pipe manufacturer. The Secret Six supported Old Brown with introductions, immoderate praise, and good hard cash. Unwilling to go to Kansas in person to fight the so-called Border Ruffians from the South, they satisfied their guilt feelings by supplying money and arms for Brown's activism. Announcing that "a revolution was what the country needed," Stearns at one point drew up a subscription list to provide regular shipments of Sharp's rifles to Kansas.

Pacifist Beginnings

The ironic thing about the Abolitionist movement, insofar as the clergy was involved in it, was that it had begun in pacifism. Theodore Weld, the theology professor who trained scores of agents in a "school of abolition," was the gentlest of souls. The Reverend William Ellery Channing, the acknowledged leader of the Unitarian movement, complained that William Lloyd Garrison, the "liberator," and his vociferous circle were "too precipitate" and "lacked tact." But as the "irrepressible conflict" of the Civil War approached, Theodore Parker proclaimed that "all the great charters of Humanity have been writ in blood." The free man, he said, "has a natural right to help the slaves recover their liberty . . . and as a

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means to that end, to aid them in killing all such as oppose."

Parker, who boasted of helping to fund John Brown, lay dying in Italy when the poorly planned and stupid raid in the Harpers Ferry arsenal misfired. He might not have survived the ordeal of returning to the United States to stand trial in Virginia as an accessory to Brown's treasonable act. To do the Reverend Thomas Wentworth Higginson justice, he was willing to appear in court and was rather miffed that nobody asked him. But the rest of the "secret six" scurried for cover when Lieutenant Jeb Stuart captured Brown after a thirty-six-hour engagement at the Harpers Ferry arsenal. Howe, Stearns and Sanborn, fearful that they might be exposed as accessories to Brown's act of treason, ran away to Canada. Gerit Smith, the millionaire, pretended lunacy.

Frederick Douglass, the leader of northern black freedmen, had tried to dissuade Brown from his mad escapade. But when the raid on the arsenal actually took place, Douglass fled to Canada and England. He was under no illusions about his safety if he had been called upon in a Virginia court to explain his conversations with Brown before the sanguinary event took place.

Otto Scott does not draw modern parallels in *The Secret Six*. But his contempt for intellectuals who support violence in the name of the "higher law" obviously extends to western liberals who favor bloody solutions in Rhodesia, South Africa or wherever. The "secret sixes" are always with us.

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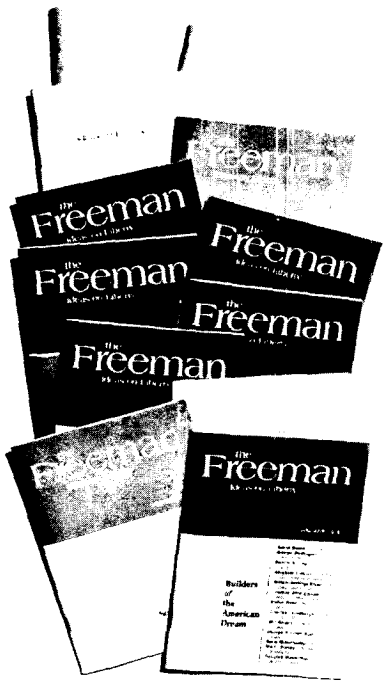

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